MARKET APPRAISING INDIVIDUAL ISSUES ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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★DIVERGENT TRENDS IN THE CONSTRUCTION INDUSTRY

With a Breakdown of 1955 Corporate Statements and all Essential Investment Data

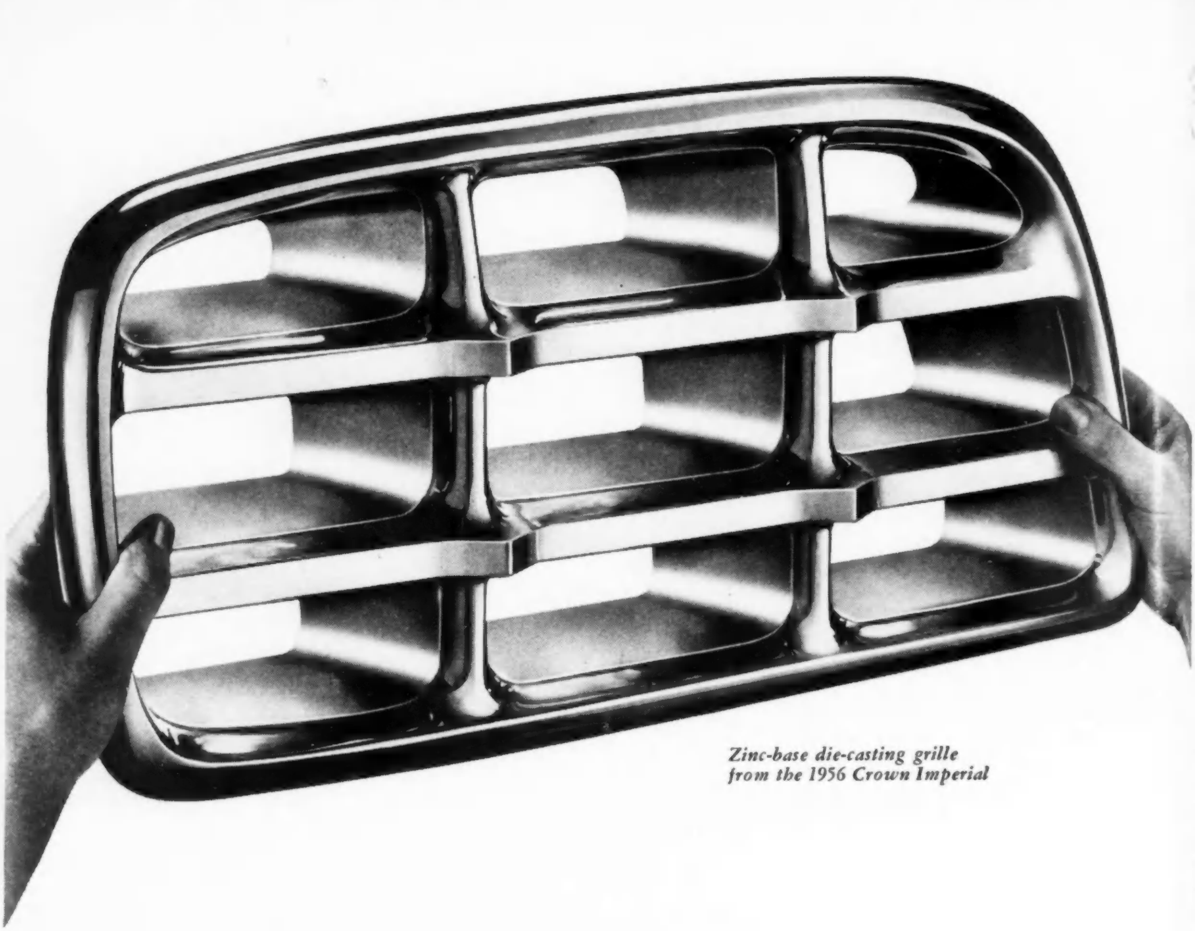
by FRANK L. WALTERS

★QUARTER CENTURY OF BASIC CHANGES IN FREE ENTERPRISE

by E. A. WILLIAMSON

★POLITICAL CHESSGAME FOR MIDDLE EAST OIL

by W. A. HODGES



Zinc-base die-casting grille from the 1956 Crown Imperial

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CONTENTS

COVER PHOTO by Cities Service, Inc.
Native guard looks on as tanker loads oil.
Illustrations: Pages 735, 736, 737—Standard Oil (N. J.)
Page 753—Phelps Dodge Corp.

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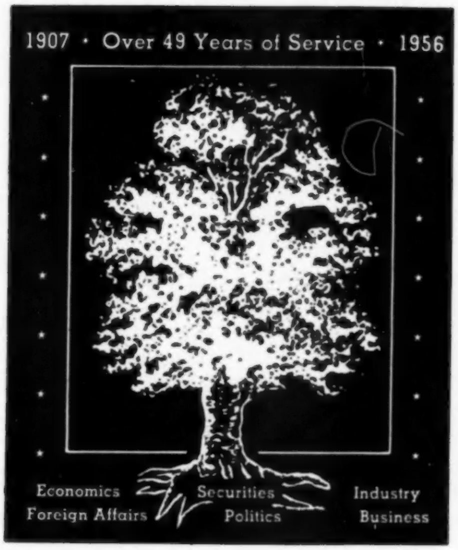
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE PRESIDENT DECIDES . . . President Eisenhower has decided to seek a second term, a decision that has brought rejoicing throughout the Free World. Of course, Democratic bigwigs could hardly be expected to be exuberant, although their lack of enthusiasm does not stem from any lack of respect for the White House incumbent.

With the disarming frankness that is uniquely refreshing, in or out of the political arena, the President has made it plain that he must husband his energies, for he is, to quote his words, "classed as a recovered heart patient." Thus, we are faced with an election campaign unlike any other in the history of the nation. It is absurd for Republicans to shout "Foul!" every time a Democrat makes the President's health an issue. The President, himself, has not hesitated to make it an issue.

Of course, the Democrats run the risk of antagonizing on-the-fence voters, who may not take kindly to undue stress on this subject. While there is no precise parallel, it is a fact that relatively few Republicans used the health issue in the 1944 campaign, when many people close to official Washington were aware of the delicate state of President Roosevelt's health. The danger of resorting to this tactic is heightened in the present situation because of the straightforward manner in which Mr. Eisenhower has placed the matter of his health before the electorate.

The clinical issue aside, the Democrats find themselves in the unenviable position of striving to depose a President whose appeal to all elements of our society is well-nigh overwhelming. And it would be a mistake to suppose that this popularity is exclusively personal, although none will deny that aspect. More important, however, is the unifying force he has represented and, hardly less important, the domestic policies that have contributed, in large measure, to the present state of well-being.

To be sure, there are some misgivings about the foreign policy of this Administration. It is to be hoped that the improved health of the President, which could permit a full work schedule, will help to correct this weak spot in an Administration that has done much to commend it to the people.

AIRCRAFTS AND PROFITS . . . This being an election year, it would be too much to expect the gentlemen in Congress to pass up the opportunity to demonstrate their overriding concern for the public interest. Farmers, workers and minority groups, among others, are to be left in no doubt as to the profound concern of the people's representatives for their welfare. Business folk, lacking the quantitative appeal of other factions, will get less welcome attention. As the Bard put it: "What's Hecuba to him or he to Hecuba that he should weep for her?".

One of the elements of the business community bound to feel the whiplash of the candidates in the months ahead is our aircraft industry. Leaders of that field will scarcely be surprised at this turn of events considering the season. But what must be particularly bewildering to the aircraft folk is the hue and cry for a seven-day week

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: :1907—*"Over Forty-nine Years of Service"*—1956

in their plants that now are turning out guided missiles on a five-day basis, blended with allegations that they are too prosperous. No one can reasonably object to a legislative study of profits of the aircraft manufacturers or, for that matter, any other group that is heavily dependent on Government orders. Unfortunately, such inquiries, more often than not, generate far more heat than light, more confusion than insight.

To the current heat and confusion over aircraft profits has been added the element of profit from investments in the stock market—stockholders, too, are political expendables. Rep. Hebert, a Louisiana Democrat, alleges these folk are trying to "make money by gambling that this nation will continue to be at the brink of war."

Of course, it was under a Democratic Administration that aircraft stocks got their first big stimulus. The vigorous arms program that was launched by Mr. Hebert's own party (and now carried forward by the Republicans) made aircraft issues attractive to investors. To be sure, that still leaves unanswered the question of whether people should be permitted to make money out of such investments. The answer (and we suspect Mr. Hebert knew it all along) is that if you forbid profits here, then there is no reason why you shouldn't stop money-making at many other places. And once you have started, where do you stop?

It is our guess that we shall hear a good deal less about such things after the first Tuesday following the first Monday in November.

METALS: A PROBLEM . . . It would be difficult to evoke an argument from the contention that this nation must maintain a healthy mining industry, which means protection from successive waves of ruinous imports. Nor will anyone seriously dispute the need for foreign metals in a burgeoning economy that, in quite a few instances, has taken on the aspects of a have-not nation.

Considerable ire, however, can be stirred over the methods needed to achieve these desirable ends. With copper prices rising anew and many corporations wondering when, if ever, the nickel shortage will ease, a good deal of thought is being given to the problem of metals—supply and price.

Among the methods considered is a tariff increase, favored by many domestic producers. This would antagonize a number of friendly countries. Another proposal calls for the import tax, already applied to copper. Under the import tax, if prices rose, averaging higher than the base levels for a month, the levy would be suspended. Another idea embraces subsidies, which almost invariably lead to stockpiling of surpluses and, in turn, a burden to taxpayers and Federal controls. Also not lacking in adherents is the quota system, which can be quite complex owing to wide variations in metal grades and content of impurities.

Problems of our mining companies, of course, can never hope to command the public attention that is given to producers of consumer goods. It is a fact, nevertheless, that the availability of metals is a prime requisite, indeed a matter of life or death, to this nation.

U. S. STYLE OBSOLESCENCE . . . Americans would appear to have forgotten a lesson learned on the home front during World War II. During those parlous years there was no mass production of automobiles, appliances and gadgets such as characterizes our present-day economy. People were amazed to find how durable were many of the gadgets that they had to make do for the duration.

Now, we are no less envious than the next fellow at the sight of a spanking new car in the neighbor's driveway or the delivery of a new larger-screen television set. Personal feelings aside, however, we would feel a great deal better about some of these purchases if the replaced items weren't still highly serviceable and the owner had not made another "on the cuff" commitment. Nor is there any wish here to deprecate the astute salesmanship that keeps such products moving into the hands of consumers, although the degree of pressure sometimes employed is not equally laudable. As for the consumer, we hope he will forgive our wish that the homely virtues of thrift were as strong as in another generation.

WHAT'S THE MATTER WITH DULLES? . . . Our Secretary has insulted the intelligence of the Congress and the people, who are well aware of the critical situation in which we find ourselves in the struggle with the Kremlin. In his testimony before Senators, who heard him describe how the balance had shifted in favor of the Free World in its struggle with Moscow, he was utterly unconvincing.

Even the casual reader is familiar with the setbacks to the United States and her allies in the Middle East, the Far East and other sensitive global areas. As for the men who have devoted much of their life to studying the Communist conspiracy, their reaction to Mr. Dulles' assertions is summed up best by George F. Kennan, our former Ambassador to the Soviet and one of the most astute observers of Bolshevik intrigue:

"I do not even recognize the world Mr. Dulles is talking about."

Mr. Kennan has nothing on us—we don't even recognize Mr. Dulles. The Secretary, whose tenure had been characterized by hasty improvisation, grievous error and pitiful appeasement, is our Mr. Dulles. But the guileful Mr. Dulles, telling Senators that our diplomatic triumphs had forced Moscow to revamp her program for world conquest, was miscast in this 18th Century Russian drama in which he played the role of Grigory Aleksandrovich Potemkin, who also laid claim to the title of statesman.

Mr. Dulles was still play-acting in his remarks that preceded the meeting of the Council of Foreign Ministers of the Southeast Asia defense alliance. On that occasion he indicated a belief that the free nations have built so strongly and so well that the old tactics of the Soviet no longer were worthwhile.

The truth, of course, is that the Soviet, rid of the dead weight of Stalin, has become a resilient, flexible and imaginative foe. Every step taken by the Kremlin is in the direction of its goal—global paramountcy. This is in contrast with Mr. Dulles' fumbling tactics, which have drawn the fire of France and other allies. *(Please turn to page 784)*

As I See It!

By CHARLES BENEDICT

BUSINESS LEADERSHIP

On every hand we find widespread satisfaction with the decision of President Eisenhower to seek a second term—the affection for the president transcending party lines and economic groupings. And, while there is no denying the personal bond between this man of high character and the electorate—it goes far beyond that! It also represents appreciation of what has been accomplished economically.

For more than three years this nation has had the benefit of an administration in whose councils the presence of business leaders is strong. The result has been a continuation of a business boom through across-the-country expansion that developed new areas and new markets for our goods. It produced high wages and increased buying power for the workers—preventing inflation and stabilizing the dollar.

And although this has been going on "behind-the-scenes" as it were, the people of the country are aware of what has taken place and naturally would like it to continue. I say "behind-the-scenes" advisedly because little or nothing has been done to build understanding of the enormous contribution made by our industrial leaders to our economy and the general welfare of the people.

Public relations counsels have fumbled badly in presenting the case of our industrial leaders. They are not held in the esteem, yes and affection, to which they are entitled. This is illustrated in many ways. For example, when a big ship comes in we have to look in the small type to find the names of our great industrial leaders, just arrived from abroad. The headlines and pictures cover Grace Kelly—Marilyn Monroe—and other theatrical and moving picture celebrities. The big leaders are the also-rans shunted off with a few lines on the financial page, as if they did not have the greater human interest appeal—because millions of people are dependent on their imagination—their energy—and their talents for the creation of the good things of life that have brought television into our homes—that enables us to see the world on wheels and on wings.

Politicians in this election year are going to say, "away with the big leaders—let the little man run the country (into the ground)". To offset this twaddle, stories should be appearing in the press of the country about what these great business leaders have done for the country—for the people at home — and even as ambassadors of trade abroad.

BIG BROADCAST FROM THE MOSCOW ARENA

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The strike at Westinghouse is a clear example of the need for greater understanding between the worker and his company to offset union propaganda. These highly uneconomic demands have already cost the workers over $100 million—a wage loss they will not be able to make up for years—and which may also result in a higher cost of living for themselves and their families. And if Westinghouse should have to curtail their expansion plans, it would mean the cutting down on on the rising number of jobs, which under new industrial expansion last year absorbed three million more workers.

It seems to me, therefore, that instead of all this bickering in this crucial stage in our affairs and in a period of economic warfare with a formidable antagonist determined on beating us to the ground—that public relations men should line up the people on the side of our industrial leaders by bringing greater economic understanding and appreciation of the part captains of industry play in creating new products and new jobs—and a better standard of living—so that we can all work together and solve the tremendous problems that we have to meet as a united people. It's about time!

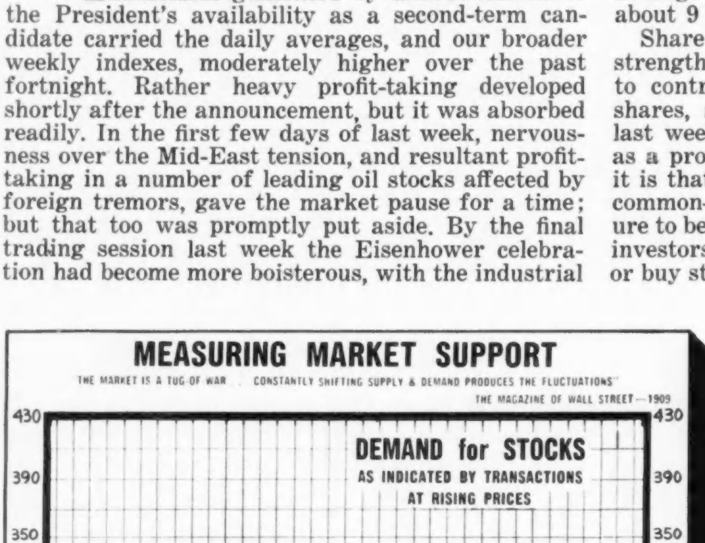
Market Appraising Individual Issues

For the present, "Eisenhower confidence" is outweighing all other considerations in the shaping of investment and speculative sentiment, facilitating more rise in average stock prices. Demand remains selective. Keep your feet on the ground. Continue to emphasize realistic evaluation of individual issues and maintain reasonable reserves in cash or equivalent.

By A. T. MILLER

Enthusiasm generated by announcement of the President's availability as a second-term candidate carried the daily averages, and our broader weekly indexes, moderately higher over the past fortnight. Rather heavy profit-taking developed shortly after the announcement, but it was absorbed readily. In the first few days of last week, nervousness over the Mid-East tension, and resultant profit-taking in a number of leading oil stocks affected by foreign tremors, gave the market pause for a time; but that too was promptly put aside. By the final trading session last week the Eisenhower celebration had become more boisterous, with the industrial average spurting 5.46 points, making a net gain of about 9 points on the week, the best in some time.

Share turnover has tended to expand with strength in stock prices on the present swing and to contract on market dips. It reached 3,430,000 shares, second largest volume of 1956 to date, in last week's closing session. This is generally taken as a promising "omen." However, the other side of it is that sharp spurts in volume and prices are uncommon—and uncommon manifestations do not figure to be enduring. It is obvious that, for the present, investors are more inclined, on balance, to sit tight or buy stocks rather than to sell.



Where We Stand Now

The industrial average has risen about 32 points, or slightly less than 7%, from its mid-February reaction low; and has attained a new all-time peak, surpassing the prior high, recorded last December 30, by 9.42 points up to this writing. With the average close to 500, that is, of course, a small extension (less than 2%) of the bull market.

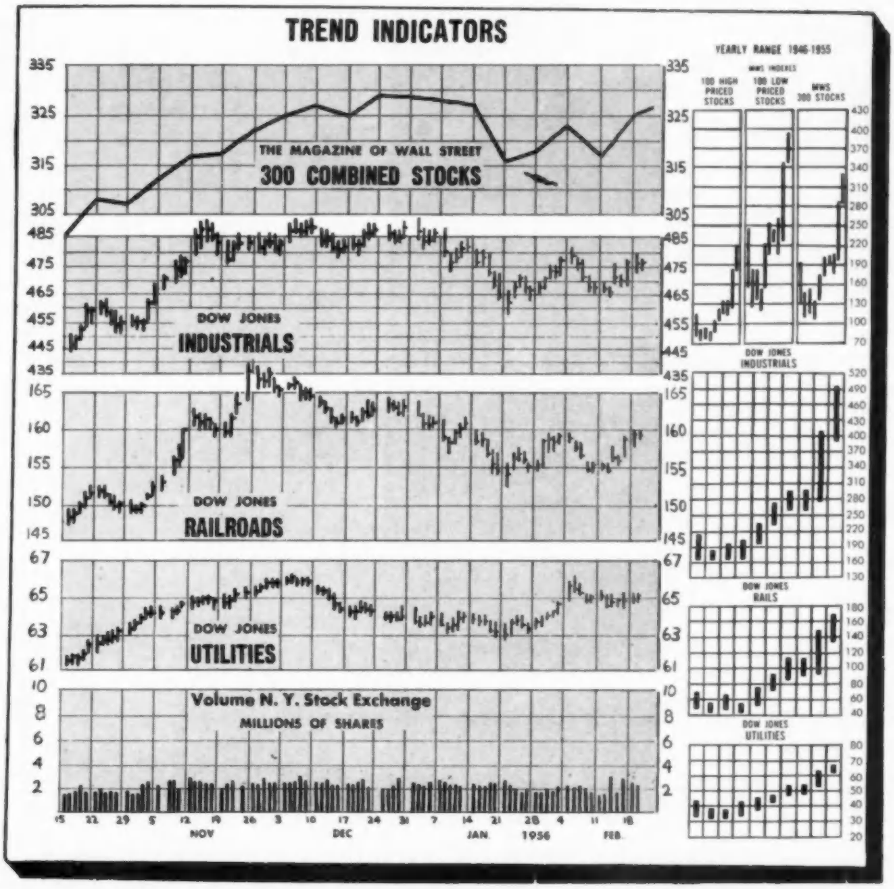
By a fractional margin, the utility average is in new high ground for this bull market, which by now is certainly a rather mature one, whether its start be figured from the mid-1949 low point, or from that of September, 1953.

Immediately following recent ICC approval of a freight-rate boost, which will probably average around 5% after allowance for exceptions and adjustments, the rail group had a sizable spurt, which left the average about 3 points under its bull-market high of last November and was followed by minor easing. However, rails turned stronger again toward the end of last week, suggesting probability of an early, if not imminent, test of the prior high. Despite reduction in automotive and housing activity, rail traffic is materially above the year-ago level. If full-year traffic approximates or slightly exceeds last year's and if present wage scales hold through the year, the rate boost and continuing emphasis on operating improvements could mean 1956 earnings

about in line with 1955's good level, perhaps permitting a scattering of dividend boosts.

The decision sets an important precedent in that, under the procedure followed, rate relief was obtained in about 10 weeks, whereas previous rate cases often dragged on for as much as nine months or more. Reduction of the traditional time lag could induce a more hopeful market attitude toward rails. The spread between rail and industrial stock yields has for some time been wider than normal. Some narrowing of it, through further selective improvement in the rail market, would not be surprising.

The semi-depressed leading automobile stocks have taken a turn for the better, with a balance between production and retail sales believed to be near or in the making, as a result of seasonal improvement in sales and of indicated reduction of first-quarter car output by nearly 20% from a year ago. Domestic oils are in generally better demand currently than international oils, despite some exceptions both ways. Coppers are strong, since the metal's highly profitable price is more likely to hold or go higher, than to fall within the presently foreseeable future. This is indirectly to the good for aluminum, which is in a strong growth trend. The aluminum stocks, all premium-priced, are at new highs. Retailing stocks remain among the laggard groups. Most steels are under 1955 highs, though the industry is operating at virtual capacity. It will be less active for a time after mid-year, either because of a strike or reduced demand. There has been some excess buying for inventory, hedging against a general boost in steel prices following settlement of the stiff union demands, and against possibility of a strike.



Spur of Splits and Dividend Hikes

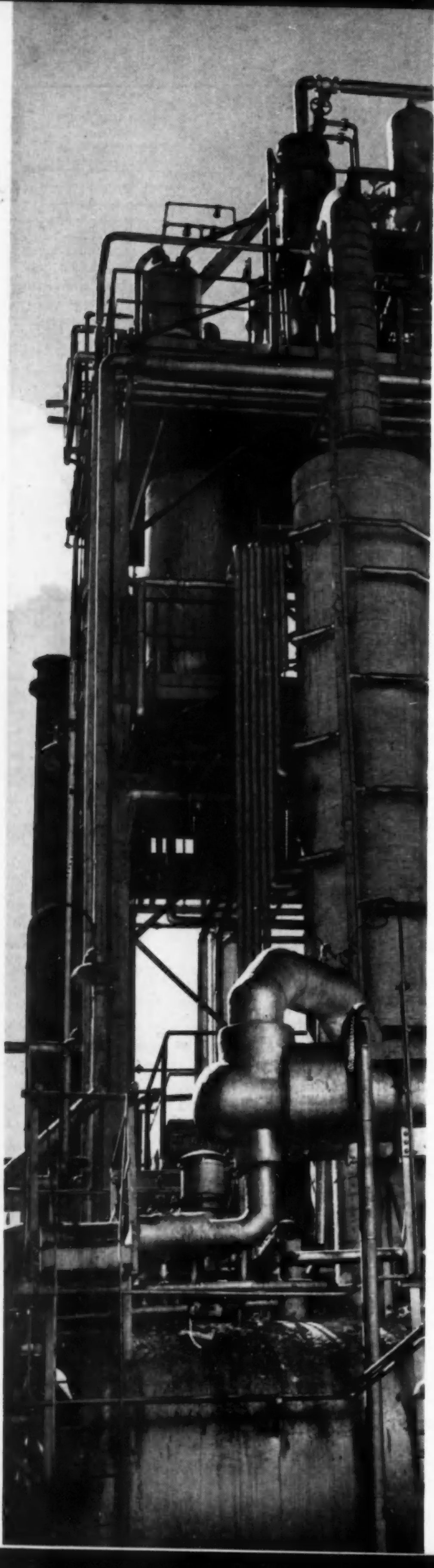
Each week at least a few stocks are spurred by stock-split news or boosts in cash dividend rates. Among relatively prominent companies, about 25 additional splits were proposed in the first 10 weeks of 1956; and dividend rates were liberalized in some 30 instances, although dividend moves are usually at a minimum in the forepart of any typical year.

Over 100 individual stocks set new 1955-1956 highs last week. Impressive? A much larger number —in fact, a decisive majority of listed issues—remained under their prior highs. Here is a fairly representative sampling of relatively prominent stocks now at new highs: Addressograph, Alcoa, American Gas & Electric, Continental Oil, Dow Chemical, Florida Power & Light, General Electric, Gillette, International Paper, International Nickel, Kennecott, Minneapolis-Honeywell, Minnesota Mining & Manufacturing, Royal Dutch, Standard Oil (Indiana), Thompson Products, U. S. Rubber. A comparable list of issues still materially under previous highs includes Allied Stores, American Viscose, Atchison, Bethlehem Steel, Borden, Chrysler, Coca-Cola, du Pont, Eastern Air Lines General Motors, National Cash Register, North American Aviation, Philco, Pullman, Sears, U. S. Steel and Westinghouse Electric, the last bogged down in a still unsettled strike of record duration.

Among others, the following stocks—all heretofore recommended in discussions elsewhere in the Magazine—have outgained the industrial average since mid-February by margins ranging from roughly two or three to one: American Cyanamid, American Encaustic Tiling, American Gas & Electric, Ex-Cell-O, Florida Power & Light, McGraw-Hill, Outboard Marine and Pure Oil.

The Business Picture

The business boom having flattened out, developments will need close watching. If we can go from a boom to a high plateau, without any recession, and then on to renewed boom, that will be something new under the sun. Manufacturers' orders and sales, which turned downward (*Please turn to page* 784)



A Quarter Century of Basic Changes

By F. A. WILLIAMSON

AT THE END OF 1955 final figures showed our gross national product had fallen just short of $400 billion. Total personal income had fairly soared from the January, 1955, level of $292.2 billion to $315 billion in December. There is no confuting the fact that this country has put into the record book 12 months of unprecedented prosperity.

The economic developments of that year were marked by resumption, after some lag during part of 1954, of the long-term advance in our production and income without appreciable disturbance to the general stability of average prices. In reviewing the year's activity, the Office of Business Economics, U. S. Department of Commerce, points up the fact that the flow of goods and services to consumers, measured in constant dollars, expanded substantially more than the Nation's population.

bringing real consumption per capita 4½% above both the two previous years. As a matter of fact, prices of consumer goods and services averaged about the same in 1955 as in 1954 but those of capital items and Government purchases—particularly of personal services—were higher, so that the dollar value of total output increased somewhat more than the volume of production. Through 1953 rising defense requirements had largely absorbed increases in output in excess of population growth. In 1954 consumer purchases had risen about in proportion to that growth while 1955's rise in real consumption expenditures per capita represented a substantial part of the total advance achieved since the conversion from war to peacetime production was practically completed in 1947.

Varying Views On 1956

To sum up for 1955, civilian final purchases played the key role in the upturn, consumer spending reaching a new peak at $252.5 billion.

The year ended, however, with some economists and businessman entertaining misgivings as to 1956 business prospects. Some forecasts, by those looking through rose-colored spectacles, were for further gains carrying the economy in the current year to a considerably higher plateau than that reached in 1955. At the other extreme, are those who are quite certain that such prosperity as we have experienced throughout most of the postwar years can't continue indefinitely and that sooner or later the overall economy must drop appreciably from current level. Both classes of extremists are apt to be proved wrong inasmuch as there is no mathematical formula by which to gauge the trend of industrial production, civilian employment or consumer spending over an extended period of time.

Granting that the super-optimists are wrong so too are the prophets who, undoubtedly recalling the dark days of a quarter century ago, believe that civilian employment may again sink to extremely low levels and apple selling on street corners will once more become a major business activity. There is no need here to recite the many contributing causes to the 1929 stock market debacle and the subsequent developments in the years immediately following, forming a period of contraction which for length of duration exceeded anything this country ever experienced with the exception of that in the period running from 1873 to 1879.

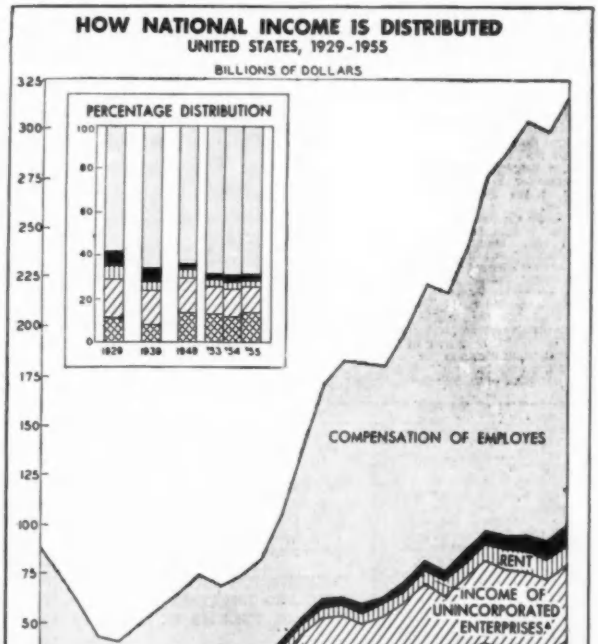
Many Defects Corrected

In the years preceding 1929, frenzied speculation laid hold upon hundreds of thousands of men and women. There was speculation in land, commodities, as well as in stocks. The easy money policy adopted in 1927 to prevent the recession of that year to develop possibly into a depression had, as events were later to prove, adverse effects. Following a reduction in rediscount rate by the Federal Reserve Bank of New York from 4 to 3.5 percent, Government obligations were purchased in substantial volume freeing funds of the sellers—individuals and banks—to be employed in the purchase of common stocks or made available as "call" loans to stock brokers to help finance stock purchases by others, usually on a margin of 10 percent. Compounding the unfavorable situation was the number of speculators who used "pyramiding" as a device to increase their margin holding of their favorite stocks.

It was clearly evident, early in 1929, if not before, that this speculation had sent prices up to where they were entirely out of line with corporate earnings. Moreover, there was evidence in the early months of 1929 that a business recession was developing, but it was not until September of that year before there were signs the stock market bubble was about to burst. These early indications of what was about to happen were ignored by the many thousands of inexperienced stock buyers on "shoestring" capital who, in their frenzy to realize a gambler's fast profit, got the idea that the market could move only one way—up. The Federal Reserve Board and the Federal Reserve Banks of that day also come in for censure for failing to take action in time to curb the wild stock buying by means of controlling the volume of speculative credit.

We Have Matured

We have come a long way since then, however, in many ways. Considerable progress in the right direction had been made in the years prior to World War II, and more, considerably more, has been made in the last half of the quarter century. The Federal Reserve System long ago came of age, its maturity being hastened considerably by what it learned from events that took place in 1927-1929, particularly. The exigencies forced upon us by World War II and the Korean conflict broadened its functions. In 1929 and before that, the Federal Reserve Board was not empowered by law to exercise authority over stock



National Industrial Conference Board

trading on margin. The power to regulate margin requirements was vested in the Federal Reserve System through the Securities Exchange Act of 1934. The objective was and is not to keep investors from buying common stocks but to protect them from a temporary price reversal that would force brokers to "sell them out" if their holdings were carried on comparatively thin margins as great majority were in earlier days. Thus, we now have a sounder securities market although still subject to fluctuations, reflecting the business outlook and other factors affecting day-to-day stocks prices.

Another development since 1929 has been the creation of the Securities and Exchange Commission as the nation's top law enforcement agency for securities with whom the New York Stock Exchange and other established securities markets through self-regulatory measures cooperate to protect investors against misrepresentation and other fraudulent acts and practices in the purchase and sales of securities. Since the creation of the Commission such personages as Ivar Kreuger, Samuel Insull, and others of that ilk, all master manipulators, have disappeared from the scene.

Inculcating still more confidence among the rank and file of the people has been the tightening of our national bank laws that have formed a pattern for those of most of the states. Another defect of the old system has been removed by the creation of the Federal Deposit Insurance Corporation to insure deposits of all banks which are entitled to the benefits of insurance under the law. Other weaknesses in the economy have been corrected. The Social Security Act provides for old age and survivor's insurance, unemployment insurance, and public assistance all of which help protect the income as well as the expenditures of other segments of the population.

Experience Again Proves Best Teacher

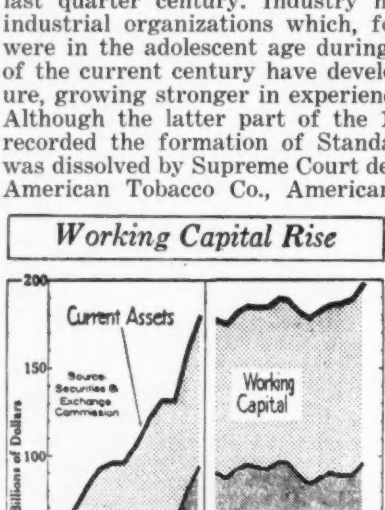
Unquestionably, the nation learned much in the last quarter century. Industry has matured. Our industrial organizations which, for the most part, were in the adolescent age during the first quarter of the current century have developed greater stature, growing stronger in experience and financially. Although the latter part of the 19th Century had recorded the formation of Standard Oil Co. (that was dissolved by Supreme Court decree in 1911), the American Tobacco Co., American Sugar Refining Co., and a number of other corporations of varying sizes. During the early years of the 20th Century, ushered in by the formation of U. S. Steel which took shape in 1901, the number of corporate entities steadily increased. Although the years that followed up until World War I began were not exactly a stagnation period, the growth of the majority of corporate units was slow. For instance, U. S. Steel which some seem to take pleasure in referring to as the "steel trust" although even now it accounts for only about 31% of the country's total steel production capacity, experienced wide fluctuation in sales and earnings in its early years. World War I gave the steel and other industries great impetus. U. S. Steel's total steel production in 1916 jumped to 23.4 million tons from the previous year's 18.3 million tons. Bethlehem Steel's increase at that time, on a percentage basis, was even greater. From an output of roughly 820,000 tons in 1915, production in 1916 jumped to more than 1.7 million tons. In the boom times following the war Bethlehem's production rose to 8.2 million tons in 1929, while Steel's peak in the same year was 24.4 million tons. These figures are more or less symbolic of the upsweeps recorded in other leading steel producers, and in such industries as machinery and electrical equipment, non-ferrous metals, chemicals, rubber, transportation equipment and petroleum.

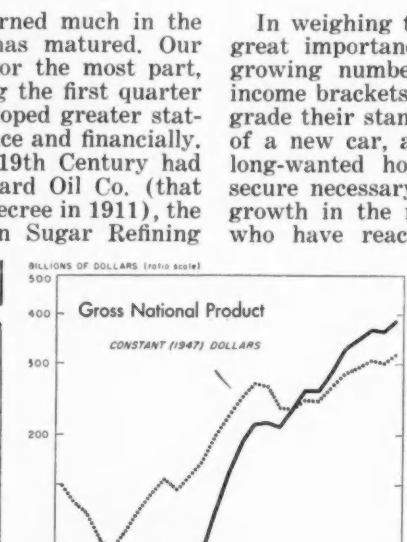
World War II gave still greater impetus to the nation's industrial activity during the conflict and in the years that followed. A number of factors contributed to this healthy state of the economy. Research and development led to improved and entirely new products that speeded the progress of practically new industries such as synthetic fibers, the growing family of plastics, new metals, and the rapid growth of petrochemicals.

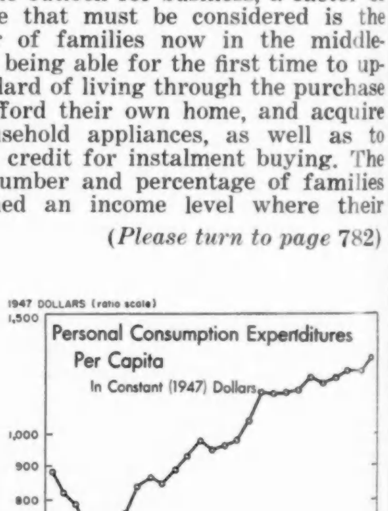
Middle-Income Families

In weighing the outlook for business, a factor of great importance that must be considered is the growing number of families now in the middle-income brackets, being able for the first time to upgrade their standard of living through the purchase of a new car, afford their own home, and acquire long-wanted household appliances, as well as to secure necessary credit for instalment buying. The growth in the number and percentage of families who have reached an income level where their

(*Please turn to page 782*)







Political Chessgame for MIDDLE EAST OIL

By W. A. HODGES

Editor's Note:

Oil is of paramount importance today—and, while it is true that Europe is dependent on oil for her operation of industry and for defense, it is also the life blood of Russian industrialization and war potential. It is this which is responsible for the grim moves and countermoves for control of what is approximately two-thirds of the world's oil reserve.

The new crisis roaring up in the Middle East comes at a time when evidence is appearing that the Middle East petroleum is far more fabulous than anyone had imagined.

At least three sets of evidence, which came to light recently, indicate that the oil of the desert sand dunes is the basis for the most profitable commercial operations in the world; that the proven, recoverable reserves of oil are worth an astonishing $400 to $500 billion—more than the U. S. national economy for an entire year; and that the oil of the Middle East is seen as the primary and essential source of supply for the machines of peace and war in Europe in the decade ahead. To a lesser extent, the U. S. is relying on the oil for our far flung military bases, and for supply of U. S. civilian needs.

All this makes what is taking place in the Middle East that much more important to the United States and to the free world. For without the oil of this area, the free world's economy and defense would be sadly crippled; other supply would be found, but not at once; and it would be at a higher cost.

Only time can tell whether the crisis is moving toward ultimate catastrophe. But anyone can see the signs of disaster. First there is the national pride of the Middle East nations; then, their tensions, mostly growing out of Arab-Israel ill will; finally, there is the Soviet, fanning the flames of ill will with offers of loans, with aircraft, tanks and guns.

For its part, the United States is trying for peace, but with a firm hand. U. S. arms have been sent to Saudi Arabia, and more are being sought. Israel also wants guns from the U. S. The U. S. has air bases in the area. The U. S. efforts are aimed not only at safeguarding a vital oil supply.

A Strategic Area

It is abundantly clear that the Middle East is more than oil. It is the natural area for Soviet expansion; it is an area of strategic importance the Soviet long has eyed. For the Soviet, the area offers warm water ports; it offers perhaps the single most strategic location for military and economic control of the world that now exists. The Suez Canal is only an example.

As for the petroleum, it is the source of handsome profits for U. S. and British oil companies in the area, and for equal profits for the rulers of the Middle East governments. While the official figures are withheld, the Magazine of Wall Street has checked carefully with heads of oil companies operating in the area. We are able to state that oil companies earned nearly $1 billion dollars last year, after costs, from Middle East oil. The countries

earned an equal amount, under the 50-50 sharing plan which is usual.

The story is told in the table "A" below, which we have prepared.

Barring ultimate catastrophe, the oil of the Middle East is certain to be the fastest-growing source of supply for the free world in the decade ahead.

Supplying Free World Needs

To meet the demand, it is estimated, the oil of the Middle East must expand its production two and a half times to 9,430,000 barrels daily. This would see the area supplying about two-fifths of the free world's needs for petroleum. For contrast, the U. S. oil production would climb only 31.7 per cent, to a total of 9,870,000 barrels daily. The Table "B" tells the story.

What this means, if one reads closely, is that $1 spent for petroleum development in areas of the world other than the U. S. will bring in several times as much petroleum product as the $1 spent in the U. S. In fact, the ratio is about six to one. If the Middle East alone were studied, the ratio of petroleum developed for each dollar of spending would be even higher, it is generally felt.

World's Greatest Oil Reserves

A third major report, recently, makes the astonishing estimate that the known oil in the area can be figured at 230 billion barrels—twice the figure that has been used throughout the industry. The figure comes from Wallace E. Pratt, retired executive of Standard Oil Co. (N.J.), who made a special oil report for the McKinney Commission studying the impact of atomic energy on petroleum in the years ahead. At $2 a barrel, the known, recoverable reserve adds up to a fantastic value, and is by all odds the greatest reserve of oil the world has ever dreamed of.

Pratt, who calls his figure "conservative", said it came after a check with 25 top oil executives, including heads of U. S. companies operating in the Middle East. While his figure is at odds with the latest industry estimate, from the AIME, the Pratt estimate has won widespread respect. A. H. Chapman of the Arabian-American Oil Co., who was head of a committee making the AIME estimate, said of the Pratt figure:

"Middle East oil men know that no reserve estimates for the area, advanced by experienced engineers, are beyond the realm of possibility."

The figures on reserves:

Crude Oil Reserves in the free world in billions of barrels

	AIME Jan. 1, 1956	Pratt Jan. 1, 1955
Bahrain	0.2	
Iran	27.0	
Iraq	18.0	
Kuwait	34.0	
Qatar	1.5	
Saudi Arabia	36.0	
Neutral Zone	0.5	
Turkey	0.1	
Middle East	117.3	230
Others (Europe, Asia, Far East)	4.4	7
TOTAL Eastern Hemisphere	121.7	237
United States	31.5	35
Others	18.9	34
TOTAL Western Hemisphere	50.4	69
TOTAL FREE WORLD	172.1	306

AIME: American Institute of Mining and Metallurgical Engineers
PRATT: Wallace E. Pratt, geologist, former officer of Standard Oil Co. (N.J.) now retired.

On the basis of these reports and calculations, therefore, the oil of the Middle East, is not only more lush than anyone had imagined; it is probably the greatest pool of strategic materials the world has ever known. And it is, also, the source of the most profitable commercial operations the world has ever known. While the exact costs of finding Middle East oil have rarely been divulged, a figure between 40 and 60 cents a barrel has been used. All else, is regarded as profit. The earnings per barrel of production excite the envy of U.S. oilmen who have costs of more than $1.76 per barrel of crude oil.

Importance to Western Europe

The Middle East, therefore, now supplies more than one fifth of the total free world needs for petroleum. The bulk of this goes to Europe, but more and more is finding its way to the United States. This oil is, in fact, the basis of Western Europe's national economy. Without it, Europe would be hard-pressed to continue its progress both economically and militarily.

While the critical political situation in the Middle East is the greatest concern of oil executives in the area, there also are complaints that the U. S. is less than helpful in this delicate situation. Oil men are bitterly critical of a pending antitrust action against five U. S. oil companies in the Middle East. They also are unhappy over efforts of the U. S. Congress and the Eisenhower Administration to limit imports of crude and residual fuel oil from the Middle East to the United States.

TABLE A

Estimated Crude Oil Production and Revenues During 1955
(millions of dollars)

	Production In Barrels Per Day * (Thous.)	Revenues For** Country In Dollars Per Year (Millions)	Revenues For** Companies In Dollars Per Year (Millions)
Bahrain	30	$ 12	$ 12
Iran	326	98	98
Iraq	666	230	230
Kuwait	1,092	265	265
Qatar	115	50	50
Saudi Arabia	965	265	265
Neutral Zone	24	2	2
Turkey	5	All Revenue	None
TOTAL	3,223	$922	$922

*—Production estimates from AIME.
**—Dollar estimates from various sources.

The antitrust action was filed in the closing months of the Truman administration; it accused the U. S. firms of conspiring with British, French and Dutch oil companies to hold up prices, curtail production, and divide up markets. The suit is so complicated, it may never come to trial; it has so many international ramifications, that the companies are finding ardent defenders in the Departments of State and Defense, although not yet openly. Of additional concern to the companies, is another action in the courts, accusing the five of overcharging the U. S. government for crude oil shipped from the Middle East to Europe under the Marshall Plan of foreign aid eight years ago. This could have an impact upon the whole price structure.

Import Policy A Problem

Another worry to Middle East operators is the "hold the line" policy of the U. S. on imports. The policy was first stated February, 1955, in a Cabinet Committee report. The U. S. Congress wrote the policy into law last year. As it stands, the policy asks imports be held to the same ratio to domestic crude oil production as they held during 1954. Arthur S. Flemming, director of Defense Mobilization, has ruled that Canada and Venezuela shall be excepted from the "go slow" order, so the brunt of it falls upon Middle East operators. As it stands, the Middle East is bringing 280,000 barrels daily of crude oil to the United States, more than the policy allows. In the near future, either the policy will be changed, or the ODM will start to crack down on imports from the Middle East; for the formula is being exceeded.

Jockeying for Advantage

Politically, the signs of disaster have been seen in the Middle East for years. They took a big jump when Czechoslovakia last year began sending fighting aircraft, tanks and guns to Egypt; and another big jump when Jordan threw off British leadership of its crack Arab Legion, the strongest army in the Arab world. Since the Egypt arms deal, reported to involve $100 million, the Soviet Union directly, has offered loans, nuclear reactors, trade, and military aid to country after country in the Middle East. What is to come of it all, cannot be foretold, but the examples of Korea and Iran come to mind. In the one case, there was open warfare on a large scale; in the other, the world's largest oil refinery, and the oil production of a huge area were shut down for years.

An Area for Decision for the United States

As a House Foreign Affairs Subcommittee sees it, the Soviet "is igniting hostilities between the Arab world and the nation of Israel." As Secretary of State John Foster Dulles sees it, "conditions for an arms race now exist, as certain countries of the Near East vie with one another in the purchase of military items." And as an oil man, A. H. Chapman, sees it, the Middle East governments are submitting themselves "to the influences of unfriendly powers whose selfish motives are well known."

A summary of the political and economic facts of the area, may best be made by quoting an authority, Rear Admiral Ernest M. Eller (USN Retired), who said very recently to the AIME:

"The Middle East is an area of decision for the United States in the critical years ahead. Few Americans realize this; they neither know much nor care about the lands east of the Mediterranean.

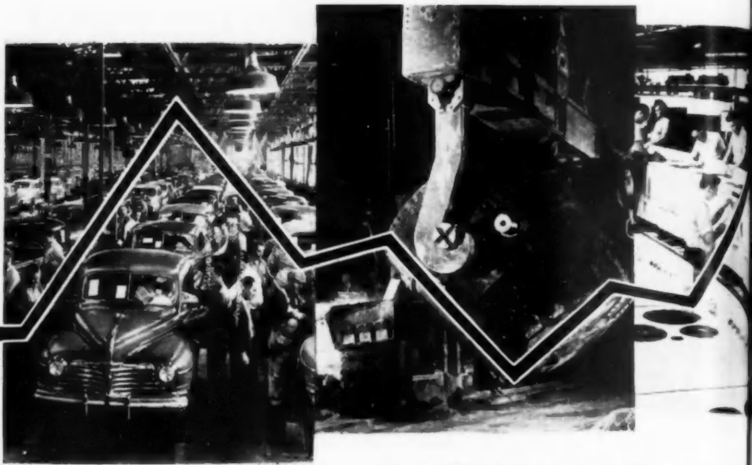
Payday in the desert. A time-worn western custom is a new experience for many Arabs, who have lived as nomads since Biblical times.

Oil in the desert. Derrick (in background) symbolizes the promise of a new life for natives gathered about their tents.

Americans in the desert. These technicians, partaking of the midday repast, cling to their native customs.

This lack of interest and understanding has spawned grave errors in our foreign policy that promise sorrows and dangers for the future. This is tragic, for the destiny of civilization has been decided there
(*Continued on page* 782)

INVENTORY TRENDS



Areas of Strength and Weakness

By HOWARD NICHOLSON

- ***Interpreting Inventory Figures***
- ***Where Inventories Are Rising***
- ***Some Strong Situations***

THE year 1955 was certainly a banner year, in terms of the demands of consumers, government and business for the output of American industry. During the year, personal consumption expenditures for goods alone (excluding service outlays) amounted to over $160 billion; business expenditures for plant and equipment amounted to over $28 billion; and government expenditures (exclusive of its own payrolls amounting to about $33 billion) totaled about $43 billion.

And yet, despite these tremendous demands on output, the book value of business inventories—including stocks of retailers, wholesalers and manufacturers—rose by more than $5 billion between the end of 1954 and the end of 1955, and now stand at more than $82 billion, the highest level on record.

How should these inventory figures be interpreted? Is it an ominous aspect of 1955 that in the face of colossal demands on the business system production was great enough to satisfy all demands and still add a substantial amount to inventories? Are inventory levels now excessive, in the light of present and prospective demands? Is inventory now unbalanced —much too much of some things on the shelf and not nearly enough of other things?

The answers to all of these questions, in early 1956, must take the form of precautionary warnings. Business inventories are not now clearly excessive, and they are not notably unbalanced. But they are now very ample, even for the current peak rate of business activity. Should that rate falter, stocks that now seem reasonable would suddenly seem excessive indeed. Moreover, while total business activity has been on a plateau for several months, inventories are still on the rise. This means that inventory-sales relationships are still climbing. More importantly, it means that at some point in the relatively near future businesses will make decisions to stop adding to inventory. Those decisions alone are enough to reduce the rate of business activity, and thereby make inventory-sales ratios climb still more sharply.

This interior cycle of inventory and sales, within the general business cycle, is a well recognized phenomenon, with highly predictable consequences. In 1949, and again in 1954, the inventory cycle was a crucial element in tipping business into recession. It is very likely to do it again. In fact, one is tempted to say that it is now on the verge of doing it again.

Inventory History

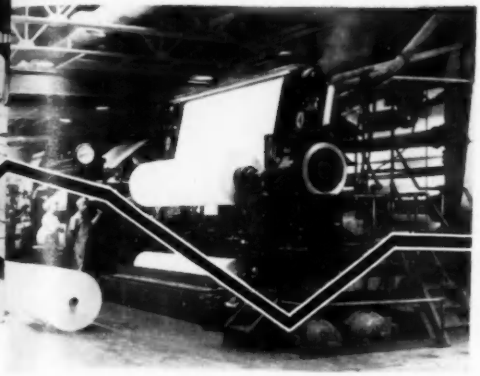
In the middle of 1953, at the peak of a boom that emerged out of the great steel strike of 1952, business inventories had climbed to the then impressive level of $80 billion. Inventories were exceedingly heavy in most durable goods lines, and particularly in lines consuming steel, copper and aluminum, the three basic metals which had been subject to the Controlled Materials Plan. In retailing, stocks of automobiles, and to a lesser degree other consumer durables, were heavy and rising, and department store stocks, which consist mostly of soft goods, were also getting increasingly heavy.

By mid-1953, it was already clear that inventories were in need of adjustment. But it took three months to turn off the inventory faucet. By October, total business stocks climbed above $81 billion. This weighty overhang of inventory produced a sharp curtailment of ordering throughout the business sector. Inventory-sales ratios climbed skyward, and recession was on in force.

From the fourth quarter of 1953 to the fourth quarter of 1954, business progressively reduced its stocks to conform with lower levels of business sales. Between October 1953 and October 1954, total business inventories fell by well over $4 billion, and a new balance between the level of stocks and the volume of sales was achieved.

The great bulk of this liquidation was in manufacturing industries, although some reduction was achieved in retail stocks of durable goods (including automobiles). Within manufacturing, the center of liquidation was the durables industries—metals production, metals fabricating, machinery, transportation equipment. Stocks fell $500 million in the raw metals industries; and by over $1 billion in the hard-hit machinery industries.

In late 1954, as recovery suddenly appeared in automobile demand, in residential building demand,



Manufacturing and Trade Inventories: 1951-55

(Seasonally adjusted; end of period)

	1951	1952	1953	1954	1955 Mar.	1955 June	1955 Sept.	1955 Dec.
BOOK VALUES, BILLIONS OF DOLLARS								
TOTAL	75.2	76.7	80.3	76.9	77.5	78.8	80.0	82.1
Durable Goods	38.3	40.1	42.9	39.8	40.3	41.1	42.0	43.9
Nondurable goods	36.9	36.6	37.4	37.1	37.3	37.6	37.9	38.2
Manufacturing	42.8	43.8	45.9	43.3	43.3	43.8	44.7	45.9
Durable goods	22.8	24.4	26.3	24.0	24.1	24.5	25.2	26.3
Purchased materials	7.4	7.3	7.4	6.3	6.3	6.6	6.9	7.0
Goods-in-process	8.6	10.2	10.6	9.8	9.9	10.0	10.2	11.0
Finished goods	6.8	6.9	8.3	7.9	7.9	7.9	8.0	8.3
Nondurable goods	20.0	19.4	19.6	19.2	19.2	19.3	19.5	19.6
Purchased materials	9.1	8.6	8.2	7.8	7.7	7.8	7.9	8.2
Goods-in-process	2.7	2.7	2.8	2.8	2.8	2.9	3.0	3.0
Finished goods	8.2	8.1	8.6	8.6	8.7	8.6	8.6	8.4
Wholesale	11.1	11.3	11.7	11.7	11.6	11.8	12.0	12.3
Durable goods	5.8	5.8	5.9	5.8	5.7	5.9	6.1	6.4
Nondurable goods	5.4	5.6	5.8	5.9	5.9	5.9	5.9	5.9
Retail	21.2	21.6	22.7	22.4	22.6	23.2	23.2	23.9
Durable goods	9.7	9.9	10.7	10.3	10.5	10.8	10.7	11.2
Nondurable goods	11.5	11.7	12.0	12.1	12.1	12.4	12.5	12.7
STOCK-SALES RATIOS[1]								
TOTAL	1.61	1.64	1.64	1.68	1.56	1.51	1.51	1.53
Durable goods	1.95	2.09	2.06	2.17	1.94	1.85	1.82	1.90
Nondurable goods	1.38	1.34	1.33	1.34	1.29	1.26	1.27	1.26
Manufacturing	1.77	1.90	1.82	1.89	1.73	1.63	1.63	1.68
Durable goods	1.93	2.17	2.07	2.22	1.96	1.83	1.81	1.91
Purchased materials	.66	.67	.61	.62	.52	.49	.49	.51
Goods-in-process	.71	.87	.85	.88	.80	.75	.74	.79
Finished goods	.56	.63	.61	.72	.64	.59	.58	.61
Nondurable goods	1.63	1.66	1.57	1.58	1.51	1.43	1.45	1.45
Purchased materials	.78	.74	.67	.65	.61	.58	.58	.59
Goods-in-process	.22	.23	.23	.22	.22	.21	.22	.22
Finished goods	.63	.69	.67	.71	.68	.64	.64	.63
Wholesale	1.20	1.18	1.25	1.29	1.21	1.21	1.21	1.21
Durable goods	1.81	1.89	1.95	2.00	1.81	1.77	1.77	1.83
Nondurable goods	.90	.85	.90	.96	.91	.92	.92	.90
Retail	1.63	1.53	1.57	1.58	1.50	1.49	1.49	1.49
Durable goods	2.09	2.04	2.08	2.13	1.94	1.92	1.88	1.91
Nondurable goods	1.39	1.27	1.29	1.29	1.25	1.25	1.26	1.25

[1] — Ratios are weighted average inventories to average monthly sales.

Source: U. S. Department of Commerce, Office of Business Economics.

and in other sectors, inventories of durable goods began to appear too low. As inventory demand revived, sales volume rose throughout the durables sector, and a new race—this time in an upward direction—began between sales volume and business stocks.

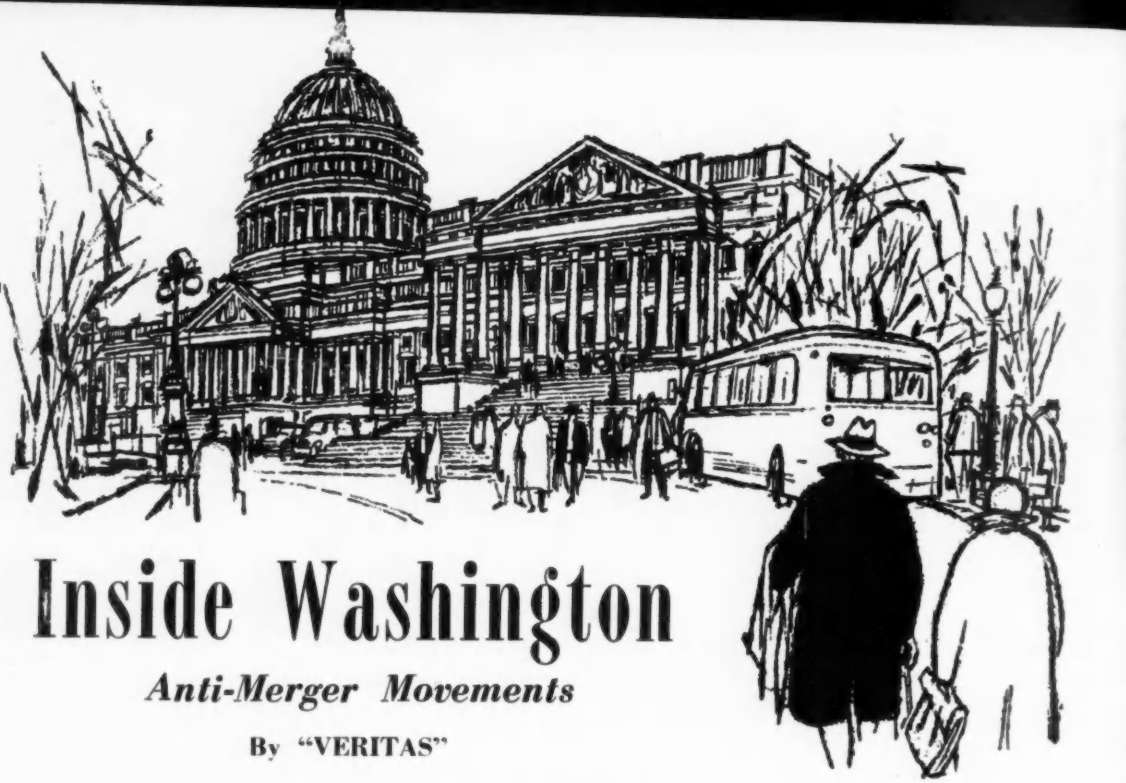
In the early stages of this uphill race, sales volume clearly won. Business sales and new-order volume climbed by 20% and almost 40%, respectively, between late 1954 and mid-1955, while business inventories increased only about 2%. But since mid-1955, the rate of increase in inventory has more and more gained the ascendancy, and it is now clearly out in front of sales, and still gaining.

The Current Situation

The inventory situation in early 1956 is not yet critical, although it is becoming so. At year-end 1955, stock-sales ratios in manufacturing industries were still below the level prevailing at the beginning of the year. Even in durables manufacturing industries, where inventory climbed by $2.5 billion during 1955, the stock-sales ratio was lower at the end of the year than at the beginning, thanks to the tremendous advance in the rate of sales. Moreover, in these industries a large part of the 1955 build-up in stocks took the form of in-process inventories, a necessary increase reflecting higher manufacturing rates. Neither raw materials stocks nor finished goods stocks in these key hard-goods industries showed a substantial advance during 1955.

At retail, inventories of durable goods (mostly dealer stocks of new automobiles) rose by about $1 billion during 1955. But here too sales rose even faster than inventories, and the stock-sales ratio at year-end was quite favorable by comparison with the end of 1954, or, for that matter, the end of any year since 1950. Stock-sales ratios in durable and nondurable wholesale lines were also at verv tolerable levels, judging by the past behavior of the ratio.

But in all of these components the trend in both dollar inventories and in stock-sales ratios is now climbing, and the level is approaching a critical point. The most outstanding individual case is the transportation equipment industry, where the ratio is now higher than at any time since the recession of 1954. This reflects mainly accumulation of steel inventories, and a sharp reduction in the sales rates of automobile producers (which in turn reflects the weakened 1956 market, (*Please turn to page* 770)



Inside Washington

Anti-Merger Movements

By "VERITAS"

PROBE of reports that industries which are supposed to be regulated by such agencies as the Interstate Commerce Commission, the Federal Communications Commission, and the Federal Trade Commission, actually are controlling the Agencies, is getting exactly nowhere. Chairman Emanuel Celler of the probing committee has been charged with instituting the study to forge a stronger link between the Eisenhower Administration and "big business" for campaign purposes. That led to recriminations and sight was lost of the true objective. Yet, there is bi-partisan complaint at the Capitol that the networks are the darlings of FTC, railroads the "pets" of ICC.

ANTI-MERGER movements are gaining strong support in Washington. With good reason. In 1955, it's estimated, there were more than 500 of them, a figure substantially ahead of 1954's 387 mergers. Last year's amalgamations in banking alone ran to about 250. This compares to the all-merger figure of 207 in 1954, 116 in 1953, 119 in 1952. Congress now has a bill requiring notice of intent to merge, 90 days in advance of final deals. This would put the Department of Justice on notice. The bill probably will pass. Also the Federal Trade Commission wants another million-dollar appropriation to pursue its inquiries in this field. That would be $5.5 million in all, a new record.

HOLD THE LINE is the battle-cry on Capitol Hill as members of both parties fall in line to support the White House tax program. The ways and means committee already has rejected a cut in corporation income levy and has dropped the idea of major excise cuts on April 1, despite the fact they were voted last year, effective that date. A subcommittee approved a cut in cabaret tab taxes and it's reported slated for full committee rejection. And Secretary Humphrey says he still doesn't see income tax reduction in sight.

LAND HOARDING is charged against Uncle Sam in a Senate Appropriations Committee report. Recommended is return to local tax lists of plots and acreage for which there is no forseeable use—park lands, of course, excluded. In Washington, D. C., alone, original costs of Federally-held footage was $630 millions; it's multiplied in value. One of the answers is dispersal of government agencies and personnel relocating. They'll fight it.

WASHINGTON SEES

President Eisenhower's announcement that he is available for re-nomination has put the Federal Government back in business. Since last September there has been a conscious slow-down in the official machinery of Washington, both in the agencies and departments and on Capitol Hill. One could sense it more acutely after Ike pinpointed his decision to March 1, a deadline he bested by one day.

The President had every opportunity, and much encouragment, to delay his decision. He evidently felt that would be risky from a political standpoint although he must have sensed it would be better to withhold if the decision were to be no. Already Senator Knowland was in the field.

Looking backward now, it is difficult to see how a negative answer might have been damaging to the legislative program. Normally a President holds a tight rein only so long as he is at least a prospective candidate with whom Congressmen will be running for re-election; when he says he will retire a scramble for leadership ensues. But this year's program already has bi-partisan support and substantial approval is seen because both parties claim parentage.

As We Go To Press

An immediate benefit to business flowing from Ike's second-term announcement will be retention of that part of the "team" that directly deals with business and industry. There will be a minimum of changes on the top executive side of government, at least until after the November election. The turnover would have been terrific, and damaging, had the President's decision been otherwise than a consent. Coming to the White House after 20 years of democratic Administration, President Eisenhower had to build his organization from scratch; he inherited few key men who were in sympathy with GOP ideas.

It is natural, then, that a large part of the top personnel owes its allegiance more to Ike than to a political party. That just about blankets Commerce, Labor, Interior, and Justice Departments — the "business agencies" of Washington. There are many key posts filled by those who joined the "crusade" through membership in Citizens for Eisenhower, and Democrats for Eisenhower. They are non-career in the area of politics. They came with Ike, would go with him if he let the reins drop at this point.

The President was expertly advised on the effect his "yes" might have on the stock market. Less skilled appraisers of such things than Secretary George Humphrey, wrung their hands in horror at the thought of a public answer to the big question being given just as the stock market opened, and in mid-week. Their advice was to hold it until after 3 o'clock Friday afternoon. On at least two occasions, Ike had said his decision could not legitimately disturb trading, and he hoped it wouldn't. Without doubt the reaction to his comment convinced him it was safe. It proved to be. To quote one SEC spokesman: "The Market is growing up!"

Simple fact seems to be that traders had convinced themselves the President would run again. The market had been making steady gains since the most recent, favorable report on Ike's health. It can only be speculated what the effect might have been had the answer been no. Agreed guess in Treasury circles is that a drop, a slight one, might have been noted. But whatever their preferences may be, traders are not noted for tearing Wall Street goal posts down to celebrate welcome news. It must be inferred that they believe the business outlook for the next few years is favorable, regardless of who's elected President.

For background purposes and with emphasis on the fact that it proves nothing political, Treasury statisticians have reviewed the events of recent years in this succint roundup: "Wall Street was disappointed when the Democrats won the election of 1948. The market declined. But it recovered in a reasonably short time and proceeded to advance throughout the last three years Mr. Truman was in the White House. In fact, prices were slightly higher in 1952 under Mr. Truman than in 1953 under Mr. Eisenhower.

"The Eisenhower bull market did not begin until the end of 1953. It continued almost uninterruptedly until the President's heart attack in September, and now it has regained substantially all the losses suffered since that time. With margin requirements at 70 per cent, the market is largely on a cash basis, which makes for stability whether the political news is good or bad. It also is the best insurance against excessive speculation."

At the President's press conference when reporters were straining every syllable in order not to miss a trace of the historic second-term announcement, a woman reporter arose to ask: "Mr. President: Have you had any reaction from Texas to your gas veto?" This "business as usual" intrusion infuriated her journalistic colleagues, but the President seemed to think it significant enough to halt the proceedings and comment. Few bothered to take notes; the answer may have appeared in print nowhere except in the young lady's newspaper down in the Panhandle. The President said some very influential people in the business have commended him

for invoking the veto. Ike was intense and emphatic. Clearly he had weighed the political implications of the veto, now felt reassured.

In any event the gas bill is far from dead. The gas operators and their congressional representatives are not in the mood for a finish fight with Ike at this point; they like the language of the veto, even its attack on the stupidity of spotting campaign gifts canceled by its acceptance of the principles involved. Didn't the President come right out and say he believes that all Federal regulation on prices of natural gas at the well should be removed? He asked for "specific language" instead of price regulation to protect consumers. And when such a bill is adopted without undue pressure from either side, he appears ready to sign it.

If Texas and other "political border states" are willing to wait on this tacit assurance, it is difficult to see how the Democrats can reap an election issue. Stevenson, the party front-runner (if a constantly weakening one) hasn't taken a position on the proposition. He'll avoid it as long as possible: the fight for the bill was led by Senator Lyndon Johnson of Texas, a Stevenson stalwart, although a majority of Stevenson's party in the Senate voted against the legislation. Makes it a difficult situation but there's no handy escape hatch.

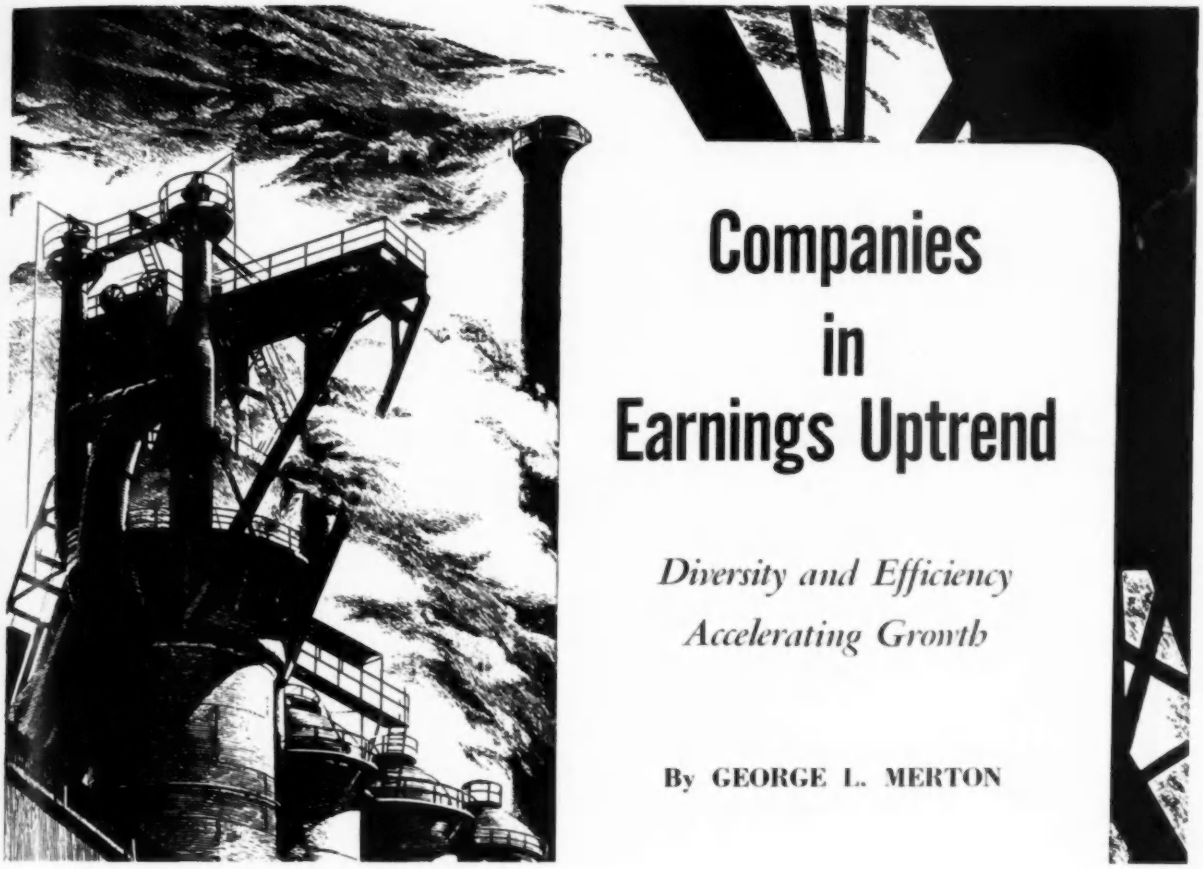
Labor Secretary James P. Mitchell is being hounded by Labor chiefs to speak out against what they describe as a "persistent effort to arouse farmers against city workers," by Agriculture Secretary Ezra Taft Benson. The Secretary of Agriculture has been hustling through the Farm Belt explaining the score on processing plant wages, and charging that high wages unaccompanied by increased productivity are doing the farmer in. There, says Benson, is the cause of the spread between what the farmer gets for his products and the price the consumer is railing against. Benson in his evangelistic manner has been doing a job on the farmer-labor political alignment. Must be, else why the pained howls and imprecations directed toward Mitchell?

If collective bargaining contracts in the bigger industries continue their present trend there will be less need for federally supported national insurance. AFL-CIO Headquarters cites the developments with approving enthusiasm. Salient point is adoption of a new type of employee coverage -- major medical expense, or catastrophe insurance. It was part of congressional bill drafts for years, now it is showing up in increasing numbers of labor-management pacts. One type of deal supplements existing hospital, surgical, and medical coverage. Another replaces existing coverage with an overall plan which does not cover initial expenses or smaller medical bills but provides added benefits for major ones. The first of these types is the more popular.

Deferment of essential men in business and industry has presented Selective Service Act problems for which solutions have been sought through World War 2 and the Korean War. Now, the Office of Defense Mobilization is out with a new plan. Idea is to keep work teams in essential industries from losing key men and falling apart with resulting critical stoppages in needed production. ODM hopes to have men with certain identified skills enlist in a Ready Reserve. These are the jobs whose holders must suffer a minimum absence from the civilian pursuits and a minimum disruption to development of industrial technology and defense research.

The occupations have been catalogued and job descriptions now are available to management. Young men with the listed skills and employed in the designated activities will be eligible to complete their active training duty in from three to six months. They will perform the balance of their service in the Reserve. Four occupations -- aircraft and engine mechanic, electronic technicians, instrument repairman, and machinist — were deleted. The armed forces need as many of them as draft boards can lay their hands upon.

President Eisenhower's decision to make $1 billion worth of nuclear material available for domestic use and overseas shipment is viewed as a tremendous boost to the reactor industry in the United States. American producers complained they were losing ground in the fight for foreign markets, simply because this country was exporting none of the essential fuel. Equipment purchasers were demanding package deals, and we weren't offering any.



Companies in Earnings Uptrend

Diversity and Efficiency Accelerating Growth

By GEORGE L. MERTON

Diversification has become the magic route through which hundreds of companies in recent years have succeeded in accelerating their growth and in assuring larger or steadier profits.

In 1956, more than ever before, industry is climbing on the diversification bandwagon. Diversification is being achieved through the development of new products in the companies' own laboratories, as well as through mergers of many kinds.

The merger route for diversification is the quickest and is sometimes the safest that a company can employ to develop a wider line of products. For through an advantageous merger, a company can swiftly enter a new growth field with a ready-made product. To wait until it had developed its own products in that field would entail high costs of research, the problems involved in buying or building a plant, creation of the marketing organization, etc. Many of these steps involve risks—a high proportion of new products introduced each year does not make the grade.

Both Methods Utilized

Mergers will continue to be pressed to achieve diversification in growth industries during the next few years. The close scrutiny that Congress has been giving to mergers, may, however, result in a waiting period being imposed before mergers of companies above a given size may be allowed to be consummated. But it is not likely that any important restrictions will be placed on the right of two differing non-competitive businesses to pool their interests to achieve a broader base of operations.

Recent announcements indicate that both routes through which diversification can be pressed are being utilized intensively. Industry has steadily boosted its research and development programs. Many companies—particularly those in chemicals, electronics and other growth lines—are spending as much as 3% of annual sales on basic and applied research and on product development.

During 1955, the merger trend was accelerated, and the early months of 1956 have produced a bumper crop of consolidations, through which companies have sought to achieve a broader range of products and a more rapid rate of growth.

One of the interesting trends of recent years has been the effort of two large companies to pool their resources and engineering skill to launch a new jointly-owned venture. This method has been particularly popular in the chemical field. An illustration of this is the formation of Goodrich-Gulf Chemicals, by B. F. Goodrich Co. and Gulf Oil, to purchase Government-owned synthetic rubber plants, and to carry on research and development in the field of man-made rubbers.

Individually, however, companies have been diversifying their lines at a rapid rate in recent years. General Foods Corp., for example, estimates that over 60% of its gain in sales during the period since World War II has come from its own new products. Similarly, Harshaw Chemical Co. estimates that over half of its postwar growth has

come from new products developed in the laboratory. Du Pont says in 15 years, 60% of its income will come from products still in their infancy or unheard of today.

But the research and development program can result in heavy losses as well as extraordinary profits. Numerous examples can be cited of laboratory developments which met substantial obstacles and virtually had to be written off. In some cases, however, marketing or production "bugs" were finally eliminated.

The development of synthetic glycerine and of some synthetic fibers, as well as new drugs and serums have all been attended by serious growing pains and heavy losses for some companies.

Problem of Engineer Shortage

A shortage of suitable management personnel, particularly in the engineering and development phase, can limit or delay the success of efforts of

load lots of appliances from a single plant to distributors or dealers and to gain other advantages in advertising and selling.

More Mergers In Prospect

Hence, it is likely that over the next few years, independent producers of air-conditioners, ranges, or refrigerators will band together in new mergers, or will attempt to achieve the needed breadth and diversification by bringing out additional lines of products. In this way, the independents will attempt to achieve the diversification and low break-even points that have made General Electric Co. and Frigidaire so successful.

Diversification has meant the difference between profits and losses thus far this year in the auto field. General Motors has not only achieved the greatest variety of offerings in the automotive field, but its ventures in non-automotive products have been uniformly successful. In addition, it is

10 Companies With Increasing Profit Margins

	1951		1952		1953		1954		1955			
	Net Sales (Millions)	Net Profit Margin (%)	Net Sales (Millions)	Net Profit Margin (%)	Net Sales (Millions)	Net Profit Margin (%)	Net Sales (Millions)	Net Profit Margin (%)	Net Sales (Millions)	Net Profit Margin (%)	Earnings Per Share	Recent Price
Borg-Warner	$369.1	5.7	$353.9	6.4	$407.3	5.8	$380.3	6.4	$552.1	7.4	$5.17	46
Eastman Kodak	542.2	9.0	575.0	7.9	633.6	7.9	633.4	11.0	714.4	11.9	4.66	83
Gillette Co.	102.7	14.3	120.4	10.4	140.8	11.2	162.1	16.1	176.9	16.4	3.13	45
Hercules Powder	216.8	6.3	181.5	6.1	190.2	6.1	194.7	7.3	234.2	8.1	6.89	139
Inland Steel	518.6	6.6	458.0	5.1	575.5	5.8	533.1	7.7	659.7	7.9	9.52	87
Libbey-Owens-Ford Glass	176.1	8.7	166.4	8.9	212.4	9.0	212.3	11.3	281.5	12.8	6.93	80
Minnesota Mining & Mfg.	170.0	9.2	185.2	8.6	219.9	8.1	230.8	10.6	281.8	12.3	4.14	124
National Lead	389.9	5.9	358.0	6.4	436.0	7.0	419.3	8.7	533.7	8.6	4.02	84
Scott Paper	123.5	7.3	129.1	7.3	149.2	7.1	167.0	8.2	187.9	8.6	2.65	70
U. S. Steel	3,509.7	5.2	3,131.7	4.5	3,853.0	5.7	3,241.3	8.5	4,097.7	9.0	6.45	57

a company to diversify. Often a company will have adequate management for its own well-established products, but will find itself "spread too thin" when it attempts to branch out into a new field. The lack of the right kind of supervisory personnel may prevent the company from marketing its products properly.

In recent years, numerous efforts to diversify in fields that appeared promising have been attended by failure. General Mills had to abandon its venture in electric housewares by selling this new division to McGraw Electric Co., International Harvester, which had entered the refrigerator field with high hopes, sold this branch of its business last year to Whirlpool-Seeger Corp.

The marketing problems in appliances resulted in mergers as well as in casualties last year. A trend toward "full line" companies which make all kinds of appliances has made the going rough for companies that manufacture a single line, such as ranges, washers or refrigerators.

As a result of this marketing trend Radio Corp. of America decided to merge its range and air-conditioning business with Whirlpool-Seeger. The full-line company is in a position to sell mixed car-

integrated vertically, and sells many auto parts, engines and other components to other companies.

In the non-automotive lines, GM's Electro-Motive Division is the outstanding diesel engine company selling to the railroads. Frigidaire, another GM division, ranks with GE at the top of the appliance list. The Allison Division is well entrenched in the aircraft engine field, with large orders for turbojet engines from commercial airlines as well as for defense. And the Euclid Division is enjoying a rapid growth in the heavy road-building machinery field. Together these non-automotive divisions account for over 15% of GM's sales. All are showing excellent growth in sales and earnings, and are helping to offset the dip in auto sales this year.

Ford is attempting to bring itself closer to General Motors in the extent to which it blankets the auto market. Already Ford is well integrated vertically, with steel, glass and component plants. Ford has introduced a new luxury or prestige car, the $10,000 Continental. In addition, Ford is seeking more diversification by preparing for the introduction in 1957 of a new medium-price car. This would give Ford five auto divisions, equaling the number of General Motors divisions. Such a course may in-

volve risks, but if successful it would reduce Ford's break-even point.

Mergers designed to provide diversification and lower manufacturing costs have reduced the number of automobile companies sharply in recent years. Studebaker merged with Packard. Now the combined company boasts a "full line" of trucks and cars, and has reduced its break-even point substantially. So too, has American Motors, which has established a single production line for Nash and Hudson cars. But more mergers and even greater product diversification may be needed before the independent car producers will be out of the woods.

Attractive Aspects of Diversity

One of the most attractive aspects of diversification is that a company can quickly improve the character of its business if it succeeds in entering a new rapidly growing industry. Companies like Daystrom, Thompson Products and Clevite have aggressively entered electronics by acquiring new units. Hence, the management of each of these companies feels that it can look forward to more rapid expansion in the future, because of the bright outlook for their electronics operations.

Daystrom completely transformed the nature of its business. Formerly known as American Type Founders, engaged in the manufacture of printing machinery, the company entered electronics through defense contracts during World War II. It also acquired Daystrom, a maker of chrome dinette furniture. After the war it expanded its electronics business, and two years ago got control of Weston Electrical Instruments, another electronics unit, engaged in making instruments and meters. As final steps in the transformation, it changed its name to Daystrom Corp. and sold the American Type Founders Division, which had been the original unit.

Too often, companies attempt to enter new growth fields merely because the grass looks greener, without considering competitive and other problems which may be met.

Dilution of Management

Often, if management would devote as much study and effort to the improvement of its own business, it might do better than to spread its efforts over new and unfamiliar fields. Such a dilution of management need not occur however, if a company enters a new field through a merger, and at the same time acquires officers and technicians who are familiar with the new industry.

The big danger of making heavy investments in new growth industries is that so many companies may enter these new fields, that the resultant keen competition may prevent most of the newcomers from realizing the profits and growth which they had anticipated. This situation has been encountered in appliances, and it is now about to be re-enacted in electronics and in atomic energy. Often the well-established units in such new fields maintain prices at levels which discourage growth of the newcomers into the field. General Electric has done precisely that during recent months in electric housewares and major appliances by reducing prices, thus capturing a larger share of the market. In atomic energy, new producers of generating equipment often accept contracts at a loss.

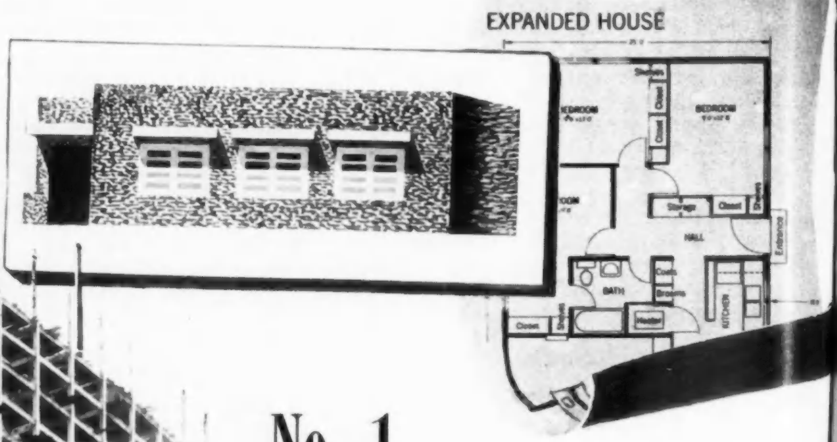
Occasionally, companies which have found that their diversification efforts have proven unprofitable will stubbornly continue attempt to make a go of a new product or a new subsidiary, thus adding to their losses. It must be recognized that fully 50% of the companies that are offered for sale are in trouble. Hence, it is not surprising that many merger efforts that are designed to assure diversification and greater profits do not pan out. In such cases, according to John D. Wright, president of Thompson Products, Inc. management is often tempted to stick with the new product, just to prove that it was right, regardless of losses.

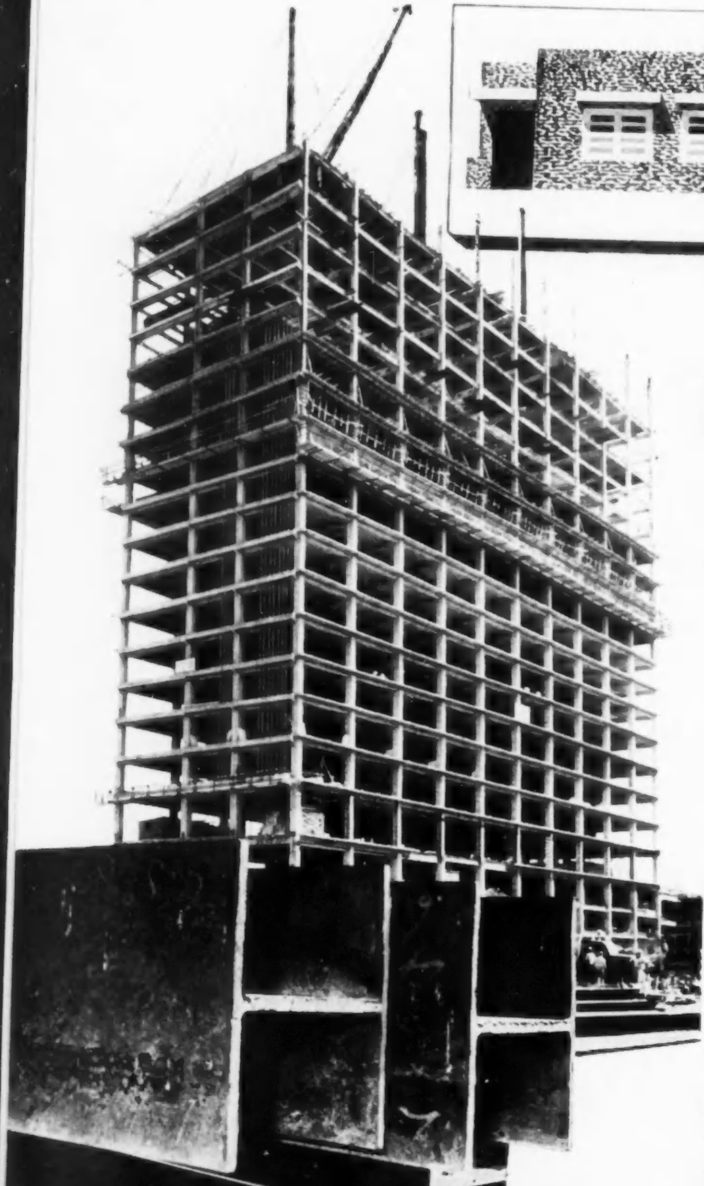
Avco Corp., originally basically a defense producer and in control of other valuable properties, sold most of its defense lines nearly 10 years ago and entered the appliance business. It is still trying to put that venture on a substantially profitable basis, while the defense properties have become extremely valuable.

This is cited merely to show that, in diversifying, a company may occasionally overlook the fact that its own long-established products may be entering a period of rapid growth.

A planned approach is needed to achieve successful diversification. One of the most successful methods of entering a new growth industry is to do it by easy stages spreading the effort over three or four years, instead of taking a quick leap and then repenting at leisure. Time, Inc., launched Sports Illustrated with a fanfare, but this diversification venture has been a costly experiment.

Acquisition of a research organization which has been doing advanced work in a new industry is often the best insurance against making costly mistakes. Westinghouse Air Brake acquired such a unit in 1951, when it bought Melpar Inc. for $1 million. This unit has been doing advanced research for the armed forces. Similarly, Thompson Products bought Ramo-Wooldridge Corp., an advanced research group in California which was working on electronic tasks for (*Please turn to page* 774)





No. 1

of our

Special Studies of Major Industries

Divergent Trends in

CONSTRUCTION INDUSTRY

By FRANK L. WALTERS

The construction industry, since the end of World War II, has been a major prop under the economy, toppling record after record with a monotony that has bred a complacency that is jarred at the first sign of leveling-off in any major segment of the business. Hence, much of the subdued optimism about the over-all economy stems from the failure of the home-building business (the automotive industry is the other major cause of concern) to set additional new highs in recent months.

And there is no mistaking the impact that any letdown in the construction industry can have on the balance of the economy—an effect greater than the course of business anywhere else, with the possible exception of automobiles. That small band of skeptics, which emerges each year to forecast a lull in building, is more vociferous in 1956 than at any time since the end of the war. This group has latched on to the moderate easing in the home-building field and the availability of mortgage credit (or lack thereof) as signposts pointing to a general downturn in building.

Statistical Data on Leading Building Supply Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1953	1954	1955	1953	1954	1955	Price	Yield*	1955-56
Alpha Portland Cement	$1.59	$2.60	$2.72	$1.00	$1.00	$1.25	37	3.3%	41 - 34¾
American Encaustic Tiling	1.05	1.46	1.57	.60	.70	.70	16	4.3	17¼- 12⅛
American-Marietta Co.	1.43	1.93	3.63	.57½	.67½	.87½	47	1.8	48½- 11¼
American Radiator & S. S.	1.83	2.00	2.22	1.25	1.28	1.34	22	6.0	27⅜- 21¼
Armstrong Cork	1.95	2.45	2.83	1.16	1.33	1.50	31	4.8	35¼- 26⅛
Carrier Corp.	4.19	4.69	4.82	1.85	2.00	2.35	54	4.3	64¾- 48⅛
Celotex	3.15	3.35	5.49	1.50	1.50	1.75	37	4.7	38⅛- 27
Certain-teed Products	2.43	2.49	3.76	1.00	1.12½	1.25	25	5.0	29⅞- 22¼
Crane Co.	3.47	2.25	3.50[3]	2.25	2.00	2.00	36	5.5	48¾- 34⅜
Flintkote	3.73	3.72	3.40	2.00	3.00	2.40[2]	38	6.3	46½- 36⅛
General Portland Cement	2.51	3.29	3.94	1.50	1.65	2.00	55	3.6	59⅝- 43⅛
Holland Furnace	1.05	1.04	1.05[3]	1.00	1.00	1.00	13	7.6	16⅞- 12
Johns-Manville	6.20	5.24	7.34	4.25	4.25	4.25	88	4.8	97 - 77½
Lehigh Portland Cement	3.32	4.19	5.92	1.20	1.20	1.60	81	1.9	83¼- 53⅛
Lone Star Cement	3.27	4.37	4.85[1]	1.75	2.20	2.60	78	3.3	79⅞- 56
Marquette Cement	1.71	2.08	2.26	.66	1.04	1.08	34	3.1	37½- 32¼
Masonite	2.72	2.67	4.42	1.00	1.00	1.55[2]	40	3.8	41 - 25⅜
National Gypsum	2.71	4.56	4.61	1.05	1.60[2]	2.00[2]	50	4.0	59¾- 45⅜
Otis Elevator	2.36	2.70	2.70[3]	2.50	3.12½	3.25	37	8.7	37 - 33¼
Pabco Products	.90	1.15	1.30	.25	.25	.25	34	.7	39½- 22
Penn-Dixie Cement	1.86	2.24	2.72	.76	.91	1.00[2]	34	2.9	38 - 29⅞
Pittsburgh Plate Glass	4.07	4.18	6.26	2.25	2.25	2.50[2]	79	3.1	92½- 62
Pratt & Lambert	4.34	5.21	—	3.00	3.25	3.25	53	6.1	60½- 40¾
Ruberoid	3.34	3.13	3.05	1.75[2]	1.75[2]	2.00	37	5.3	48¾- 33⅝
Sherwin-Williams	7.29	7.83	8.89	3.75	4.12½	4.50	108	4.1	117½-100
U. S. Gypsum	2.38	3.98	4.98	1.40	2.00	2.20	58	3.7	67 - 22⅞
Walworth	.82	(d) .48	1.24	.30	—	.40	14	2.8	16⅛- 7¾
Yale & Towne	4.61	2.88	5.80[3]	2.50	2.00	2.50	63	3.9	71 - 52¼
York Corp.	2.46	2.12	1.72	1.00	1.25	1.20	23	5.2	27⅞- 19

(d)—Deficit.
*—Based on 1955 div. rate.

[1]—Includes $.54 per sh. extraord. income.
[2]—Plus stock.
[3]—Estimated.

Alpha Portland Cement: Topnotch producer is in a steadily rising earnings trend. Far-flung plants serve growing areas. Company has paid some dividend in each year since 1935. B[1]

American Encaustic Tiling: This relatively well-situated, efficient producer is slated to complete a 50% enlargement of capacity within this year. Company serves a market having promise of growth exceeding that in general building activity. C[1]

American-Marietta: Diversified products include cement, lime, paints, chemical coatings and innumerable other construction materials. Outstanding growth record climaxed by peak sales and net profit in 1955. B[1]

American Radiator: World's leading maker of plumbing and heating equipment with diversified interests. Management revitalized, financial position strong and diversity program aggressive. Dividends have been paid without interruption since 1936. B

Armstrong Cork: Showing strong diversified growth trend. Earnings and dividend records impressive. Made some payment in each year since 1934. B

Carrier Corp.: Leading producer of air-conditioning equipment; one of the few in the business turning out across-the-board products. Recent merger has helped to stabilize the business. Good long-term outlook seen in dynamic upsurge of this industry. B[2]

Celotex Corp.: Manufacturer of insulating board, acoustic items and building materials. Outstanding earnings record. Dividend payout extremely conservative. Payments made in each year since 1941. B

Certain-teed Products: Outstanding supplier of asphalt roofing, siding and gypsum products; has diversified through acquisitions. Good financial position. Recent record marked by modest increases in dividend. Paid in each year since 1946. B

Crane Co.: Principal product line includes valves, plumbing fixtures and heating equipment. Field highly competitive. Paid some dividend in each year since 1939. B

Flintkote Co.: Makes wide variety of building materials and products for other industries. Set new record for sale of products last year, but unsatisfactory price levels precluded corresponding rise in net. New products and expansion to cope with growing market augurs long-term growth. A[2]

General Portland Cement: One of the lowest-cost cement producers, with outstanding record of growth. Good earnings and dividend record. Demand for cement in its marketing area should continue strong this year. B[1]

Holland Furnace: Profits have been in downtrend in recent years due to keener competition and higher operating costs. Situation now being bettered by cuts in advertising and sales expenses. Has leased plant space to other companies. Future dividends uncertain. D

Johns-Manville: This leader in asbestos products and other classifications is favored for long-term growth by research, plant expansion and continued development of new products and markets. A[1]

Lehigh Portland Cement: Increased volume has generated higher earnings. Dividend payout boosted. A 2-for-1 stock split is slated for approval next month. Increased earnings should continue, abetted by new expansion projects. A[2]

Lone Star Cement: One of the strongest of the cement producers, operates about a score of well-situated and low-cost plants with additional capacity in Latin America. Excellent outlook in long-term product demand. Dividend record is outstanding with some payment in each year since 1934. A[2]

Marquette Cement: Large Midwest producer enjoying sustained growth. Expansion continuing. Earnings in long-time uptrend. B

Masonite Corp.: This leading hardboard producer has its own timber resources. Products used by construction and other industries. Has boosted quarterly rate, voted cash extra and declared stock dividend. B[2]

National Gypsum: This second-ranking producer of gypsum building materials, also manufactures asbestos, insulation and limestone products. Has large gypsum reserves. Company benefiting from expansion program. Recent record marked by increased earnings and dividends. B[2]

Otis Elevator: Dominant company in elevators and escalators. Repair and maintenance work imports stability. Has paid some dividend in each year since 1903. A

Pabco Products: Manufactures floor-coverings and line of building materials. Floor-covering field is highly competitive, but company has managed to lift net. Has paid some dividend in each year since 1923. B

Penn-Dixie Cement: A leading producer with improved competitive position. Capacity in terms of barrels of per share is large. Earnings and dividends in long-term uptrend. B

Pittsburgh Plate Glass: Company has outstanding position in flat glass, paints and chemicals. Marked by long-time record of growth. Benefiting from expansion program and aggressive research and development. A[1]

Pratt & Lambert: This long-established company concentrates on high-quality paints, varnishes, enamels and lacquers. Interest in stock is limited. A

Ruberoid Co.: Company produces asphalt roofing materials, as well as asbestos and allied products. Home repair and maintenance sales add element of stability. Business is highly competitive. Has paid some dividend in each year since 1889. A[2]

Sherwin-Williams: The leading company in the paint industry. Strong in trade position and finances. Earnings and dividends in long-term uptrend. Unbroken dividend record reaches back over 70 years. A[2]

U. S. Gypsum: Largest company in the industry, supplying about one-half of total of gypsum wallboard and plaster, with diversification through other building products. Earnings and dividends record outstanding. A[2]

Walworth: Manufacturer of steel, iron and bronze valves and pipe fittings. Industry cyclical and highly competitive. Has bounced back after deficit and resumed dividend payment. C

Yale & Towne: Long established in locks and builders' hardware, also materials-handling equipment. Paid some dividend in each year since 1899. Stock split slated. B[2]

York Corp.: Company is one of the pioneers of air-conditioning field and a leader in production of refrigerating equipment for industrial, commercial and home use. Lacks aggressiveness that characterizes Carrier. Long-rumored as merger candidate. D

RATING: A—High-grade Investment Quality. B—Good-grade. C—Speculative but improving. D—Unattractive.

[1]—Better-than-average market potentials; [2]—For long-term growth.
***—Most attractive of group at present prices.**

(*Continued from page 746*)

If the first month of the current year is a criterion, then 1956 stacks up as another outstanding year for the industry, for contractors wound up January with small cause for complaint. It was the best January on record for contract awards in the heavy construction field, awards pouring in at an average rate of $398 million per week. This was an all-time high for the month, 5.5% better than the previous record of $377 million a week posted in January of 1953. Total January awards of $1,592,800,000 ran 23% ahead of a year earlier. Private work added up to $866.8 million, 8% ahead of January, 1955, despite a 16% decline in private mass-housing awards. Public projects rose even more spectacularly, totaling $726 million, 48% above a year ago and a new peak for the month.

Industrial building contracts totaled $259.2 million, a rise of 13% from the year-ago month and the best January for this kind of work since 1953. Commercial-building awards zoomed 106% from January, 1955, to total $198.7 million with the gains distributed through all parts of the country.

Home-Building Settles Down

Home-building, a major factor in the construction industry, began to slip slightly last fall. New housing starts in each month from September through December fell below a year earlier. Nevertheless, builders across the country, in the full year of 1955, started 1,329,900 homes, a rise of 9% from 1954 and second only to 1950's record 1,396,000 starts.

Last fall's housing slowdown followed modest efforts by the Government to curb mortgage credit. The maximum term of Federal Housing Administration and Veterans Administration mortgages was cut last summer to 25 years from 30. Down-payment requirements were lifted slightly. And in September, the Federal Home Loan Bank Board clamped down on borrowing by member savings and loan associations to secure additional funds for home-mortgage loans.

But a credit policy reversal began late last year that promises to give a considerable lift to home-building. The Home Loan Bank Board eased its lending restrictions in the closing days of the year. And this year, the F.H.A. and the V.A. have returned to underwriting 30-year mortgages. Apparently, the Government, which imposed mild curbs in 1955 to curb over-expansion in this field, now feels that the threat has subsided.

Moderation of Pace Desirable

In the current setting, moderation of the fast pace of new building has been a desirable development. Already, a rebound of considerable proportions has been recorded. Statistics of F. W. Dodge Corp., construction news and marketing specialists, show contract awards for future residential construction in the 37 states east of the Rockies in the first month of this year totaled over $694 million, an all-time peak for the month.

The renewed upsurge in home-building is indeed welcome after the tapering-off that characterized the latter part of 1955. By the end of last year, housing starts were at a 1.2 million annual rate,

Comprehensive Statistics Comparing the Position of

Figures are in million dollars, except where otherwise stated.	Alpha Portland Cement	American Marietta
CAPITALIZATION:		
Long Term Debt (Stated Value)	—	$13.6
Preferred Stock (Stated Value)	—	$14.1
No. of Common Shares Outst. (000)	1,760	4,264[1]
Total Capitalization	$17.7	$36.3
INCOME ACCOUNT: Fiscal Year ended	12/31/55	11/30/55
Net Sales	$31.2	$165.3
Deprec., Depletion, Amortization, etc.	$1.1	$4.3
Income Taxes	$4.3	$13.0
Interest Charges, etc.	—	$.7
Balance for Common	$4.7	$10.4
Operating Margin	29.7%	14.7%
Net Profit Margin	15.3%	6.7%
Percent Earned on Invested Capital	14.2%	19.3%
Earned Per Common Share*	$2.72	$3.63
BALANCE SHEET: Fiscal Year ended	12/31/55	11/30/55
Cash and Marketable Securities	$4.9	$7.6
Inventories, Net	$2.4	$24.3
Receivables, Net	$1.1	$17.6
Current Assets	$9.0	$50.6
Current Liabilities	$1.6	$27.5
Working Capital	$7.4	$23.1
Fixed Assets, Net	$22.8	$49.0
Total Assets	$35.1	$104.4
Cash Assets Per Share	$2.78	$1.80[1]
Current Ratio (C. A. to C. L.)	5.6	1.8
Inventories as Percent of Sales	7.7%	14.7%
Inventories as % of Current Assets	26.7%	48.0%
Total Surplus	$15.9	$34.8

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

n.a.—Not available.

CONSTRUCTION—A GROWTH INDUSTRY

Mr. George Cline Smith, assistant vice-president of F. W. DODGE CORPORATION, foremost authority on the industry, sums up the outlook for construction exclusively for The Magazine of Wall Street:

No important changes in basic growth trends are in sight.

Residential building volume should continue for the next several years at 1.2 million to 1.3 million new non-farm dwelling units annually and probably at somewhat higher rates thereafter. The decline in dollar volume this year should be small—less than 6%. Dollar volume is the figure to watch, since unit starts can be deceptive—a millionaire's mansion and a low-priced bungalow each counts for a unit.

Total building (residential and non-residential) this year should show a rise in dollar volume from 1955, "on the order of 1%." The rise in the non-residential segment should be something like 9%.

Public works and utilities are expected to soar 13% this year.

Total construction for 1956 should be 3% ahead of year-ago figures. Virtually every phase of the construction industry should make strides, with the sole exception of the residential classification.

Leading Building Supply Companies

Carrier Corp.	Celotex Corp.	Flintkote Co.	Johns-Manville	Lehigh Portland Cement	Masonite Corp.	Ruberoid Co.	Sherwin Williams
$30.9	$8.2	$3.4	$3.7	—	$6.2	—	—
$10.4	$5.1	$8.0	—	—	—	—	$15.0
1,692	878	1,365	3,202	1,901	1,377	1,479	1,277
$58.3	$14.2	$35.2	$64.7	$47.5	$20.0	$32.5	$46.9
10/31/55	10/31/55	12/31/55	12/31/55	12/31/55	8/31/55	12/31/55	8/31/55
$190.0	$71.1	$100.9	$284.7	$70.8	$28.0	$82.1	n.a.
$3.6	$2.0	$2.8	$12.6	$7.2	$2.0	$2.4	$2.4
$17.2	$6.0	$4.2	$18.3	$8.4	$6.4	$4.4	$11.7
$1.5	$.3	$.1	—	—	$.2	—	$.1
$8.1	$4.8	$4.6	$23.5	$11.2	$6.0	$4.5	$11.3
13.6%	15.6%	10.6%	14.6%	26.0%	20.7%	10.5%	n.a.
4.4%	7.1%	4.9%	8.2%	15.9%	11.3%	5.4%	n.a.
10.5%	12.9%	8.0%	14.8%	14.4%	14.3%	8.9%	10.6%
$4.82	$5.49	$3.40	$7.34	$5.92	$4.42	$3.05	$8.89
10/31/55	10/31/55	12/31/55	12/31/55	12/31/55	8/31/55	12/31/55	8/31/55
$23.1	$10.5	$16.6	$22.0	$5.9	$8.3	$9.5	$30.1
$37.9	$5.9	$10.2	$26.1	$10.9	$6.0	$8.8	$50.4
$28.7	$9.0	$10.2	$34.5	$2.7	$8.9	$7.0	$22.7
$94.3	$25.4	$37.0	$82.7	$19.9	$23.2	$26.1	$103.4
$26.3	$6.9	$10.4	$45.4	$9.1	$5.0	$2.4	$26.8
$68.0	$18.5	$26.6	$37.3	$10.8	$18.2	$23.7	$76.6
$27.3	$26.6	$35.6	$103.1	$63.3	$28.0	$30.1	$34.7
$137.8	$54.5	$75.3	$216.9	$87.2	$54.0	$56.2	$145.8
$13.65	$11.95	$12.16	$6.87	$3.09	$6.05	$6.45	$23.61
3.6	3.7	3.5	1.8	2.1	4.6	10.8	3.9
19.9%	8.3%	10.1%	9.2%	15.4%	11.1%	10.7%	n.a.
40.2%	23.4%	27.5%	31.6%	54.9%	25.9%	33.9%	48.7%
$53.1	$33.2	$29.7	$97.6	$30.6	$28.9	$18.4	$66.0

[1]—Combined "A" & "B" shares.

against a high of more than 1.4 million units a year earlier.

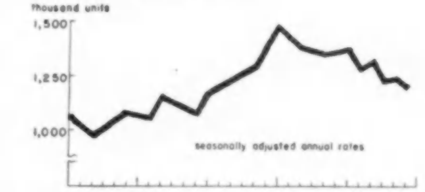
Over-expansion in this segment of the construction industry, once greatly feared by Government authorities (in fact, their fears have not been wholly dispelled), was reflected in full utilization of resources and materials available to the business. Along with business and public construction, home-building was taxing supplies of cement, glass and structural steel.

Rising Prices A Factor

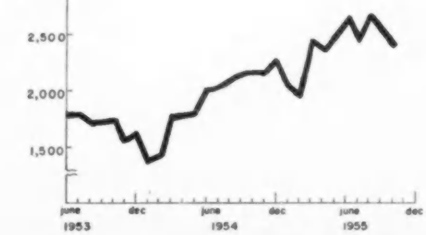
Wholesale prices of building materials have advanced 8% since the middle of 1954, while over-all construction costs increased about 4% over the same period. In addition, asking prices for land—developed lots and raw sites for subdividing—have soared in most metropolitan areas around the country. Moreover, anticipated further boosts in non-residential building will maintain substantial pressure on construction labor and material supplies, even with a lower level of residential building.

While the down-drift in home-building appears to have been checked, builders generally are more cautious than was the case a year ago and may well elect to go more slowly with spring building programs until the character of the market has been clarified. This attitude has been fostered, in considerable measure, by the (*Please turn to page* 766)

National housing starts have dropped gradually but persistently for the past year



New mortgage loans made on small properties increased until recently



REAL VALUE BACK OF 1955

stock splits

By J. C. CLIFFORD

Although taken from a cold arithmetical standpoint it does nothing for the holder, seemingly nothing can generate as much speculative heat for a stock issue as a well-founded report (ofttimes a rumor will suffice) of an impending split in the shares of a company. This enthusiasm, contagious among the speculative fraternity, is not endemic within the investment community, where the inclination, in any appraisal of corporate prospects, is to give prime consideration to such fundamentals as earnings, dividends, state of company finances, nature of the management, the role played by research and development, diversity of product and similarly basic aspects.

Split-ups connote different things to different people. The seasoned speculator and the conservative investor will agree, however, that splits must be judged on their individual merits. The table of stocks split in 1955, set forth to accompany this article, demonstrates that while many have paid off handsomely, results also can prove disappointing, although such instances are relatively few.

Why Stocks Are Split

Splits are a common phenomena of a bull market and folks with long experience in the financial community will have no difficulty in recalling that a rash of splits has prefaced the collapse of bull markets in 1929 and 1946. Indeed, it was in 1946 that 74 stocks listed on the New York Stock Exchange were subdivided. That figure still stands, although the 1955 record of 73 came close.

An epidemic of splits is not necessarily a harbinger of a market reversal. It's a matter of record that the practicality of splits is enhanced by soaring earnings, rising dividends and buoyant stock prices. There are numerous reasons, in the light of such conditions, for directors to propose a division of the shares. Most common reason given by a company is the desire to broaden the market for the shares, since the lower price resulting will put the shares within reach of more purchasers and soon enliven interest in the stock.

This raises the question of why 25 shares of a $100 stock is less attractive than 100 shares of that same stock at $25. While no one, apparently, has found an answer to that question satisfactory to all, it also is a matter of record that the most popular stock in the investment community is American Telephone & Telegraph. It sells around $185 a share, has some 1.4 million stockholders (more than twice as many as any other corporation) and has refused, down the years, to split the stock. Obviously, directors feel no need to "enliven interest."

Still, since the speculative interest in potential stock splits is quite a legitimate one, it is not our purpose to dwell on the more negative aspects, except to say that care should be taken particularly with stocks that are volatile, since the deep fluctuations in such issues are likely to be *unnerving for investors,* who may be unaccustomed to such rapid changes. These have been known to amount to as much as five, 10 points and even more, in either direction in a single session. Action in a split-up stock, as in any other issue, can be a two-way street.

Skepticism on Splits

There is a considerable school of thought that scoffs at the more respectable reasons provided for stock splits. This group believes that many splits have been designed to cover up large per-share earnings and to distract attention from larger dividends. The extent to which such devices diminish the unwelcome scrutiny of trade-union leaders and hostile politicos is debatable. After all, no amount of stock splits can alter the net-profit figure—it is difficult to believe that those who seek a bigger share of corporate earnings for their members or who would tax away a bigger chunk of profits have confined their observations to per-share earnings.

Thus, in the case of General Motors Corp., whose stock splits have spawned a greater common-share total than any corporate enterprise extant, few people can tell you offhand how much the company earned per common share in 1955 (it was $4.30), but it was Page One news that G. M. had become the first corporation to net over a billion dollars. Still, aside from such few companies as Telephone and International Business Machines, few companies appear to want their shares in the blue-chip bracket or to pay higher dollar dividends.

Pushing Stocks Up

The recent growth in the number of stock splits is a reflection of the underlying strength of the stock market during the period (*Please turn to page* 752)

Statistical Data On Stock Splits In 1955

	1946			1955							1956	
	Total Assets (Millions)	Number of Common Shares Out-standing (Thous.)	Net Income (Millions)	Total Assets (Millions)	Number of Common Shares Out-standing (Thous.)	Net Income (Millions)	Earnings Per Share	Rate of Stock Split	Effective Date	Price at Time of Split (Adjusted)	Recent Price	Points Gain (or Loss) From 1955*
Alpha Portland Cement	$21	591	$1.6	$35	1,761	$4.7	$2.72	3-1	4/26	37	38	+ 1
Aluminum Co. of America	349	4,890	23.9	903	20,346	68.1[5]	3.26[5]	2-1	5/10	72	87½	+15
Amerada Petroleum	39	1,577	8.8	112[4]	6,309	18.0[5]	2.86[5]	2-1	5/24	94¾	106⅜	+13
Armco Steel	227	3,241	18.5	547	10,633	64.2	6.05	2-1	6/13	42⅝	52¾	+10
Armstrong Cork	79	1,410	4.1	142[4]	4,948	14.5	2.82	3-1	4/27	34	31½	− 2
Borg Warner	113	2,336	9.0	311	7,853	41.0	5.17	3-1	1/13	37	44¾	+ 7
Bulova Watch	25	649	3.4	58	649	2.9	4.54	3-1	9/30	23	22	− 1
Caterpillar Tractor	97	1,882	6.5	335	8,367	34.7	4.04	2-1	5/10	45	66⅞	+21
Cinn. Milling Machine	45	850	2.1	77	1,700	4.3	2.46	2-1	12/30	37⅛	41⅝	+ 4
Cities Service	333	3,702	27.2	1,053[4]	9,912	32.5[5]	3.28[5]	2½-1	3/7	51¾	60	+ 8
Cleveland Elec. Illum.	213	2,324	7.0	436	6,703	17.8	2.49	2-1	5/27	33¼	38⅜	+ 5
Copper Range	16	564	.8	85[4]	1,694	—	2.93[5]	2-1	3/21	41	52½	+11
Corn Products	119	2,525	13.6	181[4]	8,078	11.5[5]	1.25[5]	3-1	5/20	29¼	32	+ 2
Corning Glass Works	30	2,634	2.8	122	6,647	14.3[6]	2.12[6]	2½-1	2/4	60	67½	+ 7
Denver & Rio Grande W.	278	300	(d)4.0	212[4]	2,399	11.7	4.91	3-1	5/29	43¼	41⅜	− 2
Ex-Cell-O Corp.	20	398	1.2	58[4]	1,764	9.5	5.41	2-1	4/1	51½	69¾	+18
Evans Products	14	244	.8	26	818	2.8[5]	3.47[5]	3-1	10/19	23½	24½	+ 1
Firestone Tire & Rubber	288	1,950	27.6	576[4]	8,082	55.3	6.82	2-1	2/1	58½	73	+14
Florida Pow. & Light	126	2,000	4.5	312	6,000	13.7	2.05	2-1	6/13	36½	43½	+ 7
General Dynamics	22	695	2.2	193[4]	4,998	13.7[5]	2.74[5]	2-1	3/10	53	61	+ 8
General Motors	1,982	44,022	87.5	6,344	273,512	1,189.4	4.26	3-1	11/9	49⅜	45	− 4
General Portland Cement	15	999	1.9	39[4]	2,079	8.1	3.94	2-1	2/8	43¼	54	+10
Gillette Co.	51	1,998	10.5	69[4]	9,263	29.0	3.13	2-1	10/4	42⅛	44¼	+ 2
Goodrich (B. F.)	214	1,308	12.3	507	8,871	46.6	5.26	2-1	1/6	60	84	+24
Goodyear Tire & R.	318	2,065	36.2	785	10,105	59.6	5.90	2-1	1/24	51½	65	+13
Grand Union Co.	13	222	1.5	49[4]	1,715	2.8	3.64	2-1	6/1	29¼	31½	+ 2
Honolulu Oil	27	937	4.3	72	3,750	10.3[5]	2.75[5]	2-1	10/6	41	59	+18
Joy Mfg.	29	669	2.2	78	893	5.6	6.36	2-1	12/20	33⅞	40¼	+ 6
Kaiser Alum. & Chem.	—	—	—	372	13,891	28.5	1.95	3-1	6/6	31¼	39	+ 7
Kansas Gas & Electric	45	600	2.2	130	1,950	4.7	1.93	2-1	6/7	29⅛	25½	− 3
Lee Rubber & Tire	18	241	2.1	29	851	1.7	2.06	3-1	3/16	23¼	21¼	− 2
Minneapolis-Honeywell Reg.	40	1,243	5.1	144	6,355	19.2	2.98	2-1	5/6	56	66⅜	+10
Mississippi River Fuel	28	655	1.3	137	3,393	4.8[5]	1.42[5]	2-1	6/1	29½	31½	+ 2
Monsanto Chemical	171	3,961	10.0	559	20,998	42.1	1.98	3-1	7/26	44	46½	+ 2
National Cash Reg.	74	1,628	3.3	183[4]	6,610	9.4[5]	1.42[5]	3-1	2/10	38	39¼	+ 1
Ohio Oil	143	6,563	18.2	324[4]	13,126	41.2	3.14	2-1	6/8	35⅜	37¼	+ 2
Owens Ill. Glass	127	2,925	13.2	258[4]	6,113	27.0	4.42	2-1	10/18	60¾	72	+11
Pacific Coast Co.	7	70	.1	13[4]	360	1.0	2.39	4-1	5/13	16¼	23¾	+ 7
Penn-Dixie Cement	12	525	1.2	33[4]	2,528	6.8	2.72	3-1	5/6	32¼	35	+ 2
Pure Oil	222	3,982	17.1	410[1]	8,549	35.1	4.05	2-1	4/27	39	44	+ 5
Rayonier	39	993	2.5[2]	165	5,258	15.9	2.86	2½-1	7/22	37¼	37½	
Reliable Stores	14	367	2.0	21[4]	596	.6[5]	1.10[5]	2-1	9/14	19	16	− 3
Republic Steel	405	5,669	16.0	748[4]	15,424	86.2	5.59	2-1	6/6	43⅝	47	+ 3
Reynolds Metals	131	1,025	5.3	471	10,055	34.3	3.41	5-1	9/27	56⅜	54¾	+ 1
Ritter Co.	7	149	.7	9[4]	234	.7[5]	3.18[5]	2-1	12/15	26¼	21	− 5
Sears Roebuck	467	23,625	35.8	1,469	24,315	59.7[7]	2.46[7]	3-1	12/19	36¼	35	− 1
Texas Gulf Producing	17	1,040	1.2	39	3,670	6.3	1.72	3-1	4/29	28	40	+12
Texas Gulf Sulphur	71	3,840	15.2	122	10,020	32.3	3.23	3-1	1/7	40¼	35½	− 4
Texas Pacific Coal & Oil	17	886	2.1	49[4]	3,585	7.9	2.22	2-1	10/21	31⅞	40	+ 8
U. S. Hoffman Mach.	24	259	1.9	30	891	1.9[5]	2.04[5]	3-1	5/17	23	37	+14
U. S. Pipe & Foundry	33	695	.8	92[4]	3,680	11.3	3.07	4-1	10/10	22	26¼	+ 4
U. S. Steel	2,003	8,703	88.6	3,348[4]	53,491	370.1	6.45	2-1	6/3	42⅞	56¾	+14
Western Auto Supply	43	751	7.5	83	1,502	5.0	3.22	2-1	4/4	29	34	+ 5
Western Union Tel.	309	1,219	(d)8.9	280	6,221	11.6	2.10	4-1	5/23	25½	21¼	− 4
Woodward Iron	21	352	1.5	55	2,116	8.7	4.12	3-1	12/16	39¾	35¾	− 4

*—Round figures.
1—1947.
2—8 months.
3—Combined "A" & "B" shares.
4—1954.
5—9 months.
6—40 weeks.
7—6 months.

but, of course, anticipation of splits has, in itself, been an important factor in raising the price of individual shares. No other single factor recently influencing the price of stocks has been so outstanding. To a very considerable extent, speculation in shares which are considered as prospects for splits has been stimulated by the anticipation of such action. With public appetite whetted by stock splits, it is inevitable that the most promising candidates should occupy the center of the speculative stage and, it may be presumed, this will continue to be an important factor as long as the stock market remains at high levels.

Outstanding beneficiaries of 1955 splits include Evans Products Co., Kaiser Aluminum & Chemical, each split 3-for-1; Reynolds Metals, 5-for-1; Ex-Cell-O Corp. and General Dynamics, 2-for-1. Their advance from the 1954 closing level to date has ranged as high as 210% in the case of Evans.

Stock splits also can generate keen disappointment. A notable instance is Amerada Petroleum, split 2-for-1, which fell as much as 10% subsequent to the capital change before staging a rebound. Armstrong Cork, split 3-for-1 last April, also proved a disappointment.

Spotting the Candidates

All in all, as the accompanying table demonstrates, investors have been correct in assuming that a rapid road to substantial profits in the market is via stock-split candidates—an assumption that will probably hold good as long as the market remains firm and active. But, for this very reason, it follows that investors seeking profits through the specific path of speculation in the hope of a stock split should recognize that the motivation is predominantly speculative. Therefore, his interest logically is in short-term rather than long-term considerations. Obviously, this imposes an added risk element.

In keeping with the interest shown by investors in stock-split candidates, the Magazine set forth in the issue of October 1, 1955, 22 candidates for splits in the year ahead. Since that time, seven of the 22 have been slated for (or made effective) split-ups. All seven have shown to advantage in the interim:

Babcock & Wilcox (awaiting approval by stockholders of a proposed 3-for-1 split) has risen to 111 from the 100 price that prevailed at the time of designation.

Clark Equipment Co. stockholders, at annual meeting on April 27, are expected to approve a 2-for-1 split. The stock has risen to 95 from 74 since it was cited here.

Hercules Powder, meeting on March 20, may be counted on to approve a 3-for-1 split. The stock has risen as high as 141 from the 130 that prevailed when it was mentioned as a split candidate.

Johns-Manville Corp. has split the common 2-for-1, moving up in the process to 91 from 87.

Standard Oil (New Jersey) has split 3-for-1, jumping to 159½ from 140.

Texas Co. directors have proposed a 2-for-1 split and the stock has risen to 122½ from 110.

Union Bag & Paper Corp. shareholders have ratified a 3-for-1 split, with the stock registering a small gain.

For the convenience of readers who have not retained a copy of the October 1, 1955 issue we list herewith the 15 stocks (of the 22) on which split action has yet to be taken: Allied Chemical & Dye, Allis-Chalmers, Bethlehem Steel, Container Corp., Continental Oil, E. I. du Pont de Nemours & Co., Eastman Kodak, General Foods, Inland Steel, International Paper, National Gypsum, National Lead, Pittsburgh Plate Glass, Sherwin Williams and Spencer Chemical.

While it is apparent from the foregoing that the materialization of a stock split, in anticipation of which a commitment was made, can be highly profitable to the purchaser, it is, nevertheless, a fact that not a few stocks have failed to rise following a split-up of the shares. Indeed, from the statistical table accompanying this article, it will be seen that roughly one-fifth of the issues dealt with have lost ground. Others, now ahead on balance, sold down before attracting buyers.

Divergent Performance Cited

There is no uniform pattern. Such stocks as Aluminum Co. of America, Ex-Cell-O, B. F. Goodrich, Honolulu Oil, United States Steel and Caterpillar Tractor have turned in outstanding performances. On the other hand, Columbia Broadcasting issues, General Motors, Ritter Co., Texas Gulf Sulphur, Western Union and Woodward actually have lost ground.

To sum up, it must be clear that stockholders' approval of the directors' proposed split-up of a company's shares does not add to the intrinsic value of the holdings. Yet there is no dodging the record, which points to an upsurge on reports (or news) of a split.

The history of stock splits also shows that, more often than not, the dividend on the divided shares totes up to more than the disbursement on the old shares. There is the further fact that, some notable exceptions aside, split-ups are generally characteristic of vigorous, growing companies.

Record Number of Splits Seen

Finally, it should be noted that speculation in issues that are slated for splits is encouraged by the belief of the purchaser that demand for the lower-priced split shares will add up to more than demand for the issue prior to the split, making the odds in favor of some capital gain in buying before or on split news. With the stock market on a lofty plateau, it would occasion no surprise if the current year were to be productive of a new record high for stock splits.

It is quite obvious from the foregoing and the appended table that the prospect of a split-up of shares (important though that be in speculative considerations) still is only one of the considerations. The stock, even though it be a candidate for a split-up, still must stand the scrutiny of individual merits. Purchaser of the stock must always take into account the basic factors—earnings, dividends, the business outlook and, of course, the going price of the issue. —END

COPPER *takes on* GLITTER

By L. A. LUKENS

The copper market continues to seethe. Abroad, the price of the metal prevails around 52 cents a pound. Domestic smelters are asking as much as 51 cents, and domestic producers have been literally forced to boost their price to 46 cents under prodding by Chile which is asking copper companies to raise the U. S. price to at least 48 cents a pound.

Despite the fact that domestic mine production in 1955, estimated at one million tons, a postwar high, was augmented by net imports and recovery of metal from scrap, the total supply of copper in this country was well under requirements generated by consistent demand of copper consumers throughout the entire year. This supply and demand imbalance has been duplicated in other free world areas.

The price differential between domestic and world quotations aggravated the situation in this country. Since copper is the important prop to the economy of Chile, that country's minister of finance, interested in obtaining the best price for Chilean output, has diverted the much needed supply to European markets while labor disturbances in Northern Rhodesia early in the year, and later in Chile and the United States, cut world output by approximately 175,000 tons. Although that tonnage amounted to only about 6.5 percent of an estimated total world supply of 2.7 million tons of new cooper, it was sufficient to affect the already delicate supply-demand balance.

As 1955 drew to a close, hope was entertained by many in copper circles that by the first quarter of 1956, the supply of copper would increase to a point where it would be more in line with demand. There were a few usually well posted individuals who were then optimistic enough to predict the development of a small surplus by mid-summer. In this connection, Copper & Brass Research Association Manager T. E. Velfort stated several months ago that this optimistic outlook is based on the expectation of an increasing amount of copper coming to market as new mines long under development come into production and output is raised through expanded operations at existing mines.

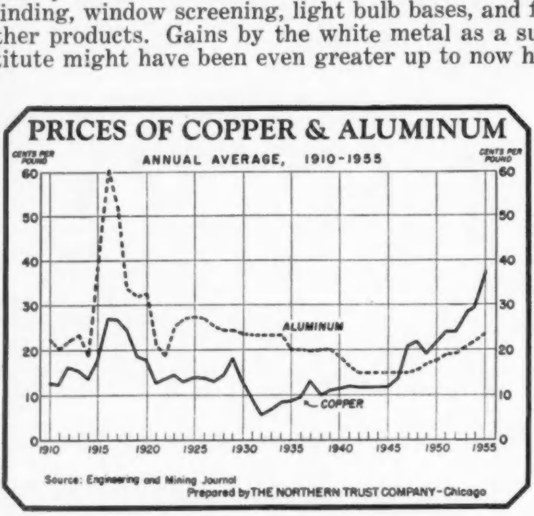
Current Supply-Demand Imbalance

So far in the first quarter of the current year, expectations of a better balance between supply and demand have not been realized. On the contrary, prospects for any immediate relaxing of the tight copper situation have grown dim because of recent work stoppages at Chilean mines and the walkout that closed the Phelps Dodge Laurel Hill refinery for a month causing an estimated loss of 13,000 tons of refined copper, followed by a short-lived strike at Kennecott's McGill, Nevada, concentrator. The latter development had little or no effect on the amount of available copper, but the overall situation is causing copper fabricators to become increasingly concerned regarding the immediate supply outlook. It was only a few weeks ago the Copper & Brass Research Association, wired the Copper Division of the Business and Defense Services Administration, Department of Commerce: "Inasmuch as the supply of copper and brass scrap remains critically short and an increased supply is essential to the brass mill industry, particularly in view of the continued copper shortage, we urge that the 1956 second quarter export quotas be reasonably reduced. The control of the export of scrap is one available method by which it may be possible to keep the domestic scrap supply from deteriorating further, with resultant hardship to the brass mills and scrap price inflation."

It is evident from this appeal the fabricators do not entertain much hope of a more abundant copper supply in the immediate future, although over the longer-term efforts of Free World producers to raise output will, it is estimated, increase productive capacity by possibly 800,000 tons during the next five years. Part of this increase will come from new mines in the important copper producing areas, including Africa, South and Central America, Canada, and the United States, it being estimated that additional annual capacity this year will be increased by 229,000 tons, followed by 105,000 tons in 1957, and the addition of 123,600 more tons in 1958. It is also calculated that at least 120,000 tons additional annual capacity will be achieved by South American mines in 1959. This would bring total free world productive capacity to something like 3.5 million tons by 1960. Important advances in mining and ore processing which have already made possible the recovery of copper from low grade ore deposits that in the past were considered economically worthless should help in reaching these goals.

This continued expansion of mine output together with further improvement of processing facilities should ultimately restore supply-demand balance, a condition that would be welcomed by domestic copper

producers. A better balance between supplies and consumer requirements would not only be a factor in stabilizing the price of the metal at a reasonable level but assure users of a continuous supply, thus discouraging the use of aluminum, steel, plastics and other materials as substitutes for the red metal. Aluminum has already made inroads on copper especially in transmission lines, wire strap for coil winding, window screening, light bulb bases, and for other products. Gains by the white metal as a substitute might have been even greater up to now had



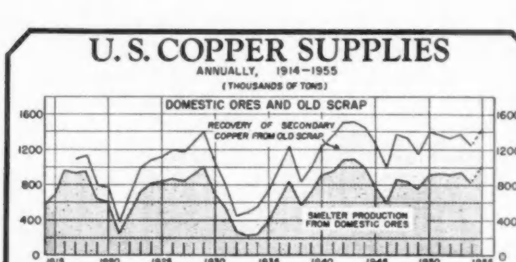
the substitution not been slowed by the aluminum shortage and the reluctance of some fabricators to make the necessary product redesigning or the substantial changes in manufacturing processes, with the final expense being as high or higher than the cost of using copper.

Copper and Substitutes

Admittedly, substitution of other materials for the metal is feasible but notwithstanding this competition, copper consumption should continue to increase because of the metal's physical and mechanical properties to form a combination not found in any other single metal. Its high electrical conductivity has enabled copper to maintain a paramount position in the electrical and electric equipment industries, in addition to attaining a pre-eminent place in the fast growing automation, electronic, and air conditioning fields. Due to its corrosion resistance, moderate tensile strength, high ductility, and superior thermal conductivity the metal is specified in the construction of air conditioning units produced by a majority of leading manufacturers who should take larger amounts of copper as the air conditioning industry continues to expand. Aircraft manufacturers, in addition to employing the red metal in the electrical systems of airplanes, make extensive application of such alloys as beryllium copper, phosphor bronze, and aluminum bronze which combine high corrosion resistance, great strength and fatigue resistance at high temperatures. These are all desirable qualities for propellers, engines, precision instruments and other component parts. The Douglas Aircraft Co., for example, employs about 1,250 pounds of copper and copper-base alloys in the air-frame and landing gear of each of its DC-7s. Builders of the Boeing B-50 bomber put almost three tons of the metal into each unit.

Although continued growth of the copper industry over the long-term appears to justify the need for stepping-up production from existing mines and bringing new mines now under development into operation as quickly as possible, predictions as to the immediate future must take into consideration how much U. S. stockpiling and Russia's off-shore purchases of the metal have contributed to the current imbalance. There are those in the copper industry who believe the American government's refusal to release its stockpile of 100,000 tons of the metal bought from Chile last fall has contributed materially to the tight domestic market and spiraling prices. This tonnage is equivalent to about one month's U. S. consumption. Of greater importance, perhaps, is the large tonnage believed to be finding its way into the territory behind the iron curtain. A good part of these Russian purchases is of copper we ship to the British who then transship to the Soviets. Actual figures as to the amount of copper thus transferred from British ports to those of Russia are not to be had but it's estimated that since August, 1954, Britain has delivered about 200 million pounds of copper in wire form to Red countries. This is an estimate that might prove conservative.

Regardless, domestic copper producers and the fabricators also undoubtedly will have to contend with the existing tight supply situation with both groups hoping that predictions of more metal becoming available by mid-year will be borne out and that present high prices will ease. Any crippling work stoppages would be almost certain to defer these developments for which reason interest is sure to mount as we approach the month of June when the contract the producers have with the International Mine, Mill and Smelter Workers comes up for renegotiation.



Copper Users Scramble for Supplies

With the leading fabricators expanding production facilities and scrambling to get their orders on the producers' books for copper to meet first half-year needs, indications are copper companies' earnings in the six months to June 30, barring major strikes, should equal or surpass their showings for the corresponding period of last year when copper sold for the most part under 33 cents a pound. The outlook over the long-term for the copper industry is for continued growth. Any appraisal of the future, however, must take into consideration certain possible

contingencies. Like a number of other basic commodities, the red metal is subject to the law of supply and demand in international markets, as well as the numerous factors that affect world trade. These include currency convertibility between countries, foreign exchange controls, trade agreements, government stockpiling, and ordinary producer-user contractual agreements. Another factor which must be weighed is historic unstability of copper prices. Although there is no definite indication of a reversal in the recent uptrend in the price of the metal some change on the downside might be registered if and when the current imbalance is corrected. Such a reversal, however, so far as domestic copper producers are concerned would be, as we have already stated, a welcome development inasmuch as price stability at a 30-33-cent level should prove a stimulant to the growth of the industry and strengthen its competitive position at a reasonable level, allowing for increased costs of wages and supplies, should accelerate the growth of the industry in an expanding overall economy.

Anaconda Company, long one of the world's biggest copper producers, has mapped out an investment program involving capital expenditures of about $100 million. Through Andes Copper Mining Co., a subsidiary, it proposes to spend close to $53 million to bring into production part of recently-discovered copper ore bodies near Indio Muerto mountain in Chile. This is described as the greatest and most important development in copper mining since the initiation of Anaconda's Chuquicamata development in 1914. Intensified but limited drilling in only a small part of the mineralized area is reported to have developed a reasonably assured ore body of 78 million tons, averaging 1.6% copper content. This compares with a copper content averaging less than one percent being taken from large ore bodies at the present time in the U. S. Work at Indio Muerto, it is expected, will be pushed as rapidly as possible to bring the new mine into production to offset output of the Potrerillos mine where ore reserves are estimated to be sufficient to last only five years more, at the most. Production from the new property is estimated at 100,000 tons of refined copper annually which would be more double the 45,000 tons yearly that have been coming from Portrerillos. In addition, Anaconda plans to spend close to $37 million to bring its big Chuquicamata's copper production from its current rate of 250,000 tons of copper to 300,000 tons annually. It hopes to attain this goal before the end of the present year.

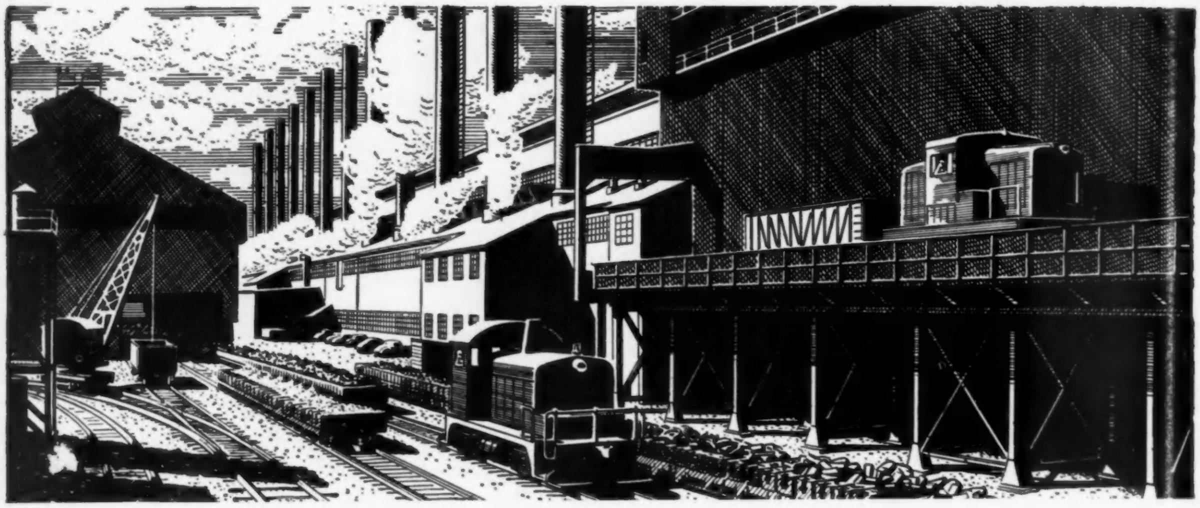
Anaconda's net earnings for 1955, it is estimated, will be close to $7.50 a share. For the nine months to September 30 of that year, net income, before income tax, was $108.9 million compared with $41.3 million for the like period of 1954. After tax, but before depletion, net income in the first three quarters of 1955 amounted to slightly more than $49 million. This was equal to $5.65 a share and compares with net income for the first nine months of the previous year amounting to $19.1 million, or $2.21 a share. After paying dividends at a 75-cent rate in each of the first three quarters of 1955, Anaconda finished out the year with a distribution of $2.00 a share in the final quarter, bringing total payments to $4.25. It began the current year with a first quarter payment of $1.00 a share, indicating this higher regular rate is likely to be maintained in each succeeding quarter. Barring any prolonged labor disturbances at its Chilean properties or its domestic facilities, another comparatively liberal extra could be disbursed at this year's end. From a low of 47 in 1955, Anaconda moved up to a recent high of 83. Currently, the stock is selling around 78 at which price, on the basis of regular dividends of $4 annually, the yield is 5.1%. Holders of this medium-grade issue who are primary concerned with profit possibilities and willing to assume some risk of a price reaction, would do well to retain their interest in this issue.

Kennecott Copper, the world's largest mine producer of copper, on the basis of preliminary figures for 1955, was able to show net, before taxes and other charges, amounting to $265.8 million, almost double the previous year's (*Please turn to page* 772)

Statistical Data on Leading Copper Stocks

	1954			1955					
				9 Months					
	Net Sales (Mil.)	Earnings Per Share	Div. Per Share	Net Sales (Mil.)	Earnings Per Share	Full Year Div. Per Share	Price Range 1954-1956	Recent Price	Div. Yield
American Smelt. & Refining	$466.7	$3.30	$2.00	$386.5	$3.77	$2.80	58⅜-40⅝	52	5.3%
Anaconda Company	461.0	3.07	3.00	n.a.	5.65	4.25	83 -47	78	5.1
Calumet & Hecla	61.3	1.69	.60	47.2	.83	.65	15¾-10⅝	14	4.6
Cerro de Pasco Corp.	49.4	4.57	1.12[3]	53.0	4.43	1.50[3]	68 -37½	64	2.3
Copper Range Co.	21.3	3.15	.40	n.a.	2.93	.40[3]	52¾-35⅝	51	.7
Granby Consol. M. S. & P.	7.4	.95	.50	n.a.	.67	.50	23 -12⅛	18	2.7
Howe Sound	16.2	.48	.40	25.4[1]	1.75[1]	1.00	27¾-15⅝	23	4.3
Hudson Bay Mining & Smelt.	48.9	4.75	4.00	n.a.	5.26	5.00	71⅜-53⅛	67	7.4
Inspiration Consol. Copper	20.6	4.36	3.00	20.4	4.94	5.00	68 -35¼	63	7.9
Kennecott Copper	423.6	7.20	6.00	548.2[1]	11.61[1]	7.75	129½-98¾	135	5.7
Magma Copper	17.0	5.18	[4]	1.87[1]	5.43[1]	[4]	129¼-56¾	125¾	—
Miami Copper	18.1	3.01	2.50	15.9[2]	3.49[2]	4.00	60 -32¼	55	7.2
Phelps Dodge	277.0	4.19	3.00	241.7	4.71	3.10	64¾-48	68	4.5

n.a.—Not available. [1]—Full year. [2]—6 months. [3]—Plus stock. [4]—Paid 7% in 1954 & 5% in 1955.



FOR PROFIT AND INCOME

Variations

Stock groups recently showing exceptional strength include coal-mining, copper, drugs, electrical equipment, gold-mining, machinery, meat-packing, metal-fabricating, paper, petroleum and tires. Among the relatively laggard groups are agricultural implements, air-conditioning, airlines, amusements, automobiles and auto accessories, dairy products, department stores, finance companies, liquor, mail-order stocks, steel and iron, television and variety-store chains.

Outriders

Stocks which show ability to forge ahead of the general list at this writing include American Cyanamid, American Encaustic Tiling, Shell Oil, Lukens Steel, Dow Chemical, American Home Products, Curtiss-Wright, Electric Storage Battery, Filtrol, Gulf Oil, Gardner - Denver, International Paper, Joy Manufacturing, McGraw-Hill, Pittston, Sangamo Electric, Square D, Skelly Oil, Texas & Pacific Railway, Virginian Railway, Champion Paper, Consolidated Natural Gas, General Electric, Continental Oil, Florida Power & Light, American Gas & Electric, Island Creek Coal, Masonite, Minnesota Mining & Manufacturing, Phelps Dodge, Socony, Simmons and Otis Elevator. In this list are some speculative stocks, some medium-grade issues, some investment-grade issues—no "cats and dogs." This is the first big-bull-market of our time in which no great number of ultra-low-priced, highly speculative stocks has "gone to town." That is to the good.

Slow

Stocks which are not behaving too well at this time include American Chicle, Howard Stores, Allied Stores, Oliver Corp., Chrysler, Fajardo Sugar, Celanese, General Motors, Ford Motor, Carrier Corp., Penney, Swift, Kresge, Murphy, Admiral Corp., Aldens, Schenley, American Sugar, Associated Dry Goods, Gimbel Brothers, CIT Financial, Motorola, Philco, Holland Furnace, Lee Rubber, Lorillard, Macy, Munsingwear, Paramount Pictures, Servel and TXL Oil.

Possibilities

Rather distant at this time, the yearend extras will largely determine whether total corporate dividends rise appreciably above the present level of payments. Among individual stocks, regardless of the general prospect, the following appear subject to reasonably possible, if not probable, liberalization of present indicated dividends: Beneficial Finance, Ex-Cell-O, Gardner-Denver, Bridgeport Brass, Mueller Brass, Anaconda, Halliburton, Outboard Marine, Dixie Cup, Great Northern Paper, American Steel Foundries, McGraw-Hill, Armco Steel, Bethlehem Steel, U. S. Steel, Beaunit Mills, Reynolds Tobacco, American Gas & Electric, Central & South West, Florida Power, Mississippi River Fuel, Eastman Kodak, United Air Lines, Pepsi-Cola, United Biscuit, Masonite, Sherwin-Williams, U. S. Plywood, Dow Chemical, Merck, Norwich Pharmacal, Schering, Sterling Drug, United Shoe Machinery.

Splits

It is axiomatic that splitting a

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Clark Equipment Co.	Year Dec. 31	$8.45	$5.02
Sylvania Electric Products	Year Dec. 31	4.29	2.92
American Cyanamid Co.	Year Dec. 31	4.07	2.95
Ferro Corp.	Year Dec. 31	3.88	3.02
Merck & Co. Inc.	Year Dec. 31	1.40	1.09
Ashland Oil & Refining	Quar. Dec. 31	.58	.31
Champion Paper & Fibre	Quar. Dec. 31	1.68	1.03
Halliburton Oil Well Cementing	Year Dec. 31	5.12	3.95
General Tire & Rubber	Year Nov. 30	6.29	3.18
Greenfield Tap & Die Corp.	Year Dec. 31	4.79	2.40

stock does not add to its intrinsic value. A pie remains the same, regardless of how many slices it is cut into. Yet stocks almost invariably go up in anticipation of, or with, split news. Why? Here are the reasons: (1) More often than not, the dividend on the split shares is equivalent to more than the pre-split rate, which does add to intrinsic value; (2) despite some exceptions, splits are generally characteristic of vigorous, growing companies, and split news has the effect of advertising a company's progress; (3) there is buying on the theory that demand for the lower-priced split shares will foot up to more than demand for the stock prior to split, making the odds in favor of some capital gain in buying before or on split news. Splits are still in vogue. Examples in recent days include Revere Copper & Brass, U. S. Freight, American Gas & Electric, Consolidated Cement, Minnesota Mining and Standard Oil of California. Splits cannot be forecast with any degree of assurance, especially as regards timing. Having emphasized that reservation, here are some likely "candidates": Addressograph - Multigraph, Allied Chemical, American Home Products, Bethlehem Steel, Brown Shoe, Continental Oil, General Foods, Gulf Oil, McGraw-Hill, International Paper, Kennecott Copper, Owens-Corning Fiberglas and Zenith Radio.

Growth

In five years through 1955, Florida Power Corp. about doubled its kilowatt-hour sales of electricity. That is not exceptional as growth utilities go. Moreover, there is dynamic further growth ahead in electricity consumption even in areas subject to no more than about average increment in population. That is true of the huge area of the American Gas & Electric system in seven upper Southern and Mid-Western States. This company's management (one of the ablest) has scheduled a further five-year capital outlay of about $700 million to boost present capacity some 65%. Current dividend yields of growth utilities range mostly from around 4% down to little above 3%. But, on the basis of low risk, probability of continuing periodic increases in dividends and potentials for substantial long-pull capital gain, we know of no better stocks for conservative investment. Apart from the two heretofore cited, a representative list would include Florida Power & Light, Central & South West, Southern Co., Texas Utilities, Gulf States Utilities, Houston Lighting and Middle South Utilities. Far West utilities are equally favored as regards population and economic growth, but are generally subject to more restrictive rate regulation than is the rule in the South.

Celotex

Fairly-well situated in the building field, Celotex makes insulating board, acoustical products, gypsum-based materials, roofings and rock wool. In the fiscal year ended October 31, profit rose to $5.49 a share, from $3.35 in the prior year. While housing starts are down moderately, demand stemming from alteration work remains strong. The company's president states that "it would take a basic change to hurt us." In the fiscal quarter ended January 31, profit was $1.25 a share, as estimated by the management, against 77 cents a year ago. Net for the year ending October 31 next should equal or modestly exceed that of last year. The dividend was recently raised to a regular $2.40 basis, from $2 previously. Finances are in good shape. Around 38, the stock is within a fraction of the highest level it has ever sold—but why it should be otherwise is hard to see. At about 6.6 times earnings and yielding 6.3%, it is one of the most reasonably-priced issues in the building materials field.

Pure Oil

Oil stocks have had a sharp further rise in recent weeks. Compared with the average pre-war level (1935-1939), the group has now outgained the industrial list by nearly 75%. Current dividend yields of leading oils average under 4%; and, in some instances, are as little as 2% to 3%. No oil stock of any merit is cheap. Some are more reasonably priced than others. There will, of course, be reactions; but it is always impossible to foresee the when and the how much. For long-term purposes, Pure Oil still shapes up as a sound buy around 44, on a minimum $1.60 dividend. The price is around 10 times earnings, which were $4.05 a share in 1955, against 1954's $3.56, and which may reach $4.50 a share or so this year. Natural gas output increased 22% last year to 98 billion cubic feet. Proven oil and gas reserves have a conservatively-estimated value exceeding $80 per share of Pure Oil stock, with gas reserves accounting for more than a fourth of this total. In its capital outlays the company is continuing to put major emphasis on oil-gas exploration and development, with over two-thirds of scheduled 1956 outlays aimed at that objective.

Drugs

This figures to be a record year for the drug field in sales of both ethical and proprietary items; and in profits. Previous peak earnings of a number of leading companies were reached in 1951 and followed by several lean years, due to price-cutting in antibiotics, which were the "wonder drugs" not so long ago. There has been little profit recovery in these drugs. The renewed progress of the industry centers in other lines, some long-established, some new. It is still possible, though unusual, for drug research to hit a real jackpot. The relatively small Schering did it in 1955 with two new anti-arthritic drugs, boosting earnings to $4.71 a share from a mere 89 cents in 1954. Profit probably will be higher this year; but at 50, against 1955 low of 22, further possibilities in the stock are

(*Continued on page* 778)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

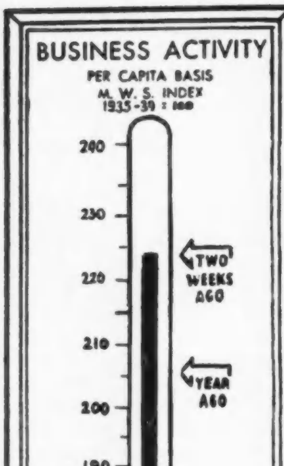
		1955	1954
Admiral Corp.	Year Dec. 31	$1.03	$2.77
Foster Wheeler Corp.	Year Dec. 31	2.19	6.16
Ruppert (Jacob)	Year Dec. 31	.99	1.67
Allis-Chalmers Mfg. Co.	Year Dec. 31	6.05	7.20
Flintkote Co.	Year Dec. 31	3.40	3.72
Hazel-Atlas Glass	Year Dec. 31	1.56	1.67
Seagrave Corp.	Year Dec. 31	1.04	1.82
Bigelow-Sanford Carpet	Quar. Dec. 31	.70	.94
Borden Co.	Year Dec. 31	4.61	4.82
Maytag Co.	Year Dec. 31	3.51	3.68

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

At the outset of this month, the minimum hourly wage rose to $1 from 75 cents. The Labor Department already has calculated that this pay boost, ordered by the National Legislature, will cost employers an additional $560 million annually. Across the country, some 2 million of the 24 million workers subject to the Fair Labor Standards Act, earning less than $1 hourly, received wage increases.



However, it would be a mistake to suppose that this is the sum total of the cost or that only those who hitherto earned less than $1 per hour will be affected by the rise in the wage floor. While it is still too early to say how great the impact will be on the economy over-all, the indirect effects already are manifesting themselves in many places. Thus, in the Southland, traditionally at the low end of the national wage scale, manufacturers of apparel and other goods are hiking prices of their products. As a result, consumers are likely to be paying more for merchandise turned out under the increased wage costs. In some few plants the plan calls for increased production in order to keep the unit costs down. A company may go to a 40-hour week, from 45 hours, and add a third shift, increasing the number of employes.

There is a mistaken notion in many places that the almost exclusive sufferer of these added wage costs will be the Southern producer. The fact is that in Dixie some 850,000 manufacturing workers, or about 28% of those covered by the Federal law, have been earning less than $1 hourly. While it is true that the percentage of less-than-a-dollar workers is highest in the Southland, more than half of the total affected are outside that part of the country. The rest of the nation had some 1,150,000 employes (covered by Federal law, of course) earning less than the new minimum wage. Affected are 8% of the workers in the Northeast, 4.1% of those in the Midwest and 1.8% on the Pacific Coast.

While it is true that the textile industry had an outstanding percentage of workers earning less than $1 hourly, other groups had substantial numbers. The shoe industry, as one example, has been required to step up the pay of 44,000 of its 240,000 workers to the new scale.

Most important repercussion from the rising floor is likely to be the upsurge in the middle and the climb in the ceiling. When unskilled hands in a plant receive pay increases of as much as $33\frac{1}{3}$%, it is difficult to keep the lid on for semi-skilled and skilled personnel. The rise in the minimum wage level, of course, has had the effect of narrowing (and, in a few instances, even eliminating) the pay difference between apprentices and long-time employes. Those workers who are getting barely more than the $1 hourly are certain to press for increases—without any urging from union leaders. As for the union leaders, they may be expected to put ever greater emphasis on wage increases this year, aside from any of the so-called fringe benefits. It is only reasonable to assume that, to keep their members happy, they will strive to restore some degree of the pay differential that prevailed prior to March 1.

For employers, this latest rise in the wage scale and the promise of more to come presents varied problems. For most companies, the best that can be hoped for is a recouping of part of the cost. While there will be some which will increase the worker total and reduce hours, there also will be those that will be forced to increase layoffs, close down plants and substitute machinery for manpower (where that is possible).

It will be interesting to see what effect the $1 minimum wage has on the Southward trend of industry. Southern communities always have denied that the attraction of that part of the country has rested primarily on the lower wage scale. Since Dixieland workers, on a percentage basis, totaled some 3.5 times the number of Northeast employes receiving less than a dollar per hour, the migration henceforth is more likely to rest on the advantages the South has claimed for that area.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Underwriters came out of hibernation late in February, to find a long queue of customers eagerly looking for money, to be raised by borrowings or on equity issues. In the corporate field alone, offering dates have been set on a near-record $862 million worth of proposed bond flotations and $60 million more will be raised via preferred stocks. The volume of new common-stock issues to be marketed in coming weeks cannot be stated with exactitude but it will undoubtedly come to a sizable sum. Equity financing has received a strong fillip from the President's decision to run again and the recent strength in stocks which sent most averages to new bull market highs. As a result, a long list of common stock offerings is scheduled for near-term sale.

The influences that made for a strong stock market acted as a deterrent to fixed-income securities. Municipal bond prices sagged and Treasury obligations showed little rallying power after giving some ground in the second half of last month. Investors in high-grade bonds were discouraged by indications that easier money was not just around the corner, while the spate of new issues tested their powers of absorption.

These considerations found accurate reflection in the reception accorded recent borrowers. Underwriters of two utility bond flotations could not sell them at the original offering prices. The syndicates were dissolved and prices cut to move these offerings off the shelves. Obligations of state and local governments were even stickier. The sponsors of the highly rated $100 million offering of the Connecticut State Expressway still had $35 million of the bonds on hand after several days of sales effort. All in all, inventories of unsold state and municipal obligations rose to $350 million early in March, including $33.5 million of Public Housing Authority bonds which first saw the light of day early in February.

Faced by lagging demand for tax-exempts, some prospective borrowers are contemplating postponement of their offerings and the Inter-American Center Authority of Florida has done just that, withdrawing its $70 million issue which had been scheduled for March 6.

The financial community is thankful that the Federal Government will not be in need of new money in the near future but the market will nevertheless feel some repercussions from the Treasury's refunding of $9.5 billion of maturing notes. Most private holders of the issues will not be in a position to accept the short-term obligations offered in exchange. They can sell their holdings at a premium in today's market but buyers will be reducing their liquid funds, tightening the short-term money supply to some extent.

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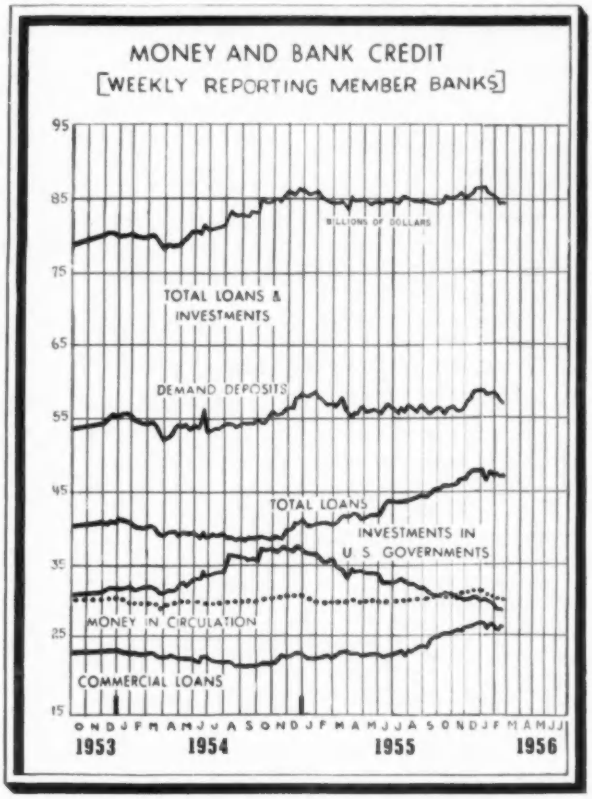
TRADE—Retail sales for the country as a whole improved slightly in the week ending Wednesday, February 29, according to estimates by Dun & Bradstreet. Dollar volume was about 4% ahead of year ago with the Southwest making the best gain. Interest in women's Spring apparel increased considerably in the latest week. Furniture demand was a bit ahead of last year and sales improvement was noted for television sets and household appliances.



INDUSTRY—Industrial output, as measured by the MWS Business Activity Index, eased slightly in February. For the week ending February 25 the index stood at 223.9, versus 227.2 a month earlier.

The National Association of Purchasing Agents reports that manufacturers' receipts of new orders were not as buoyant last month as in January or December. The buying association also found that many manufacturers increased their inventories in February and pointed out some increases were a direct result of lower sales of finished goods.

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COMMODITIES—The Bureau of Labor Statistics' spot price index of 22 leading commodities rose 0.2% in the two weeks ending March 2, to close at 88.8% of the 1947-1949 average. All major components of the index were higher with the exception of textiles, which fell 0.4%. Raw foods were up 0.1% during the period, industrial materials were 0.3% higher, metals gained 1.2%, and fats and oils added 2.1%.

(Please turn to page 760)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Jan.	3.1	3.4	3.1	1.6
Cumulative from mid-1940	Jan.	614.9	611.8	574.8	13.8
FEDERAL GROSS DEBT—$b	Feb. 28	280.0	279.7	278.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Feb. 22	56.1	56.4	56.7	26.1
Currency in Circulation	Feb. 29	30.2	30.2	29.8	10.7
BANK DEBITS—(rb)**					
New York City—$b	Jan.	67.6	68.7	60.8	16.1
343 Other Centers—$b	Jan.	114.3	109.6	97.8	29.0
PERSONAL INCOME—$b (cd2)	Dec.	315.0	312.0	293.4	102
Salaries and Wages	Dec.	216	215	199	99
Proprietors' Incomes	Dec.	50	50	49	23
Interest and Dividends	Dec.	30	28	27	10
Transfer Payments	Dec.	17	17	17	10
(INCOME FROM AGRICULTURE)	Dec.	15	15	15	3
POPULATION—m (e) (cb)	Jan.	166.7	166.5	163.9	133.8
Non-Institutional, Age 14 & Over	Jan.	118.1	118.0	116.9	101.8
Civilian Labor Force	Jan.	65.8	66.6	63.5	55.6
Armed Forces	Jan.	2.9	2.9	3.2	1.6
unemployed	Jan.	2.9	2.4	3.3	3.8
Employed	Jan.	62.9	64.2	60.2	51.8
In Agriculture	Jan.	5.6	5.9	5.3	8.0
Non-Farm	Jan.	57.3	58.3	54.9	43.2
Weekly Hours	Jan.	40.9	41.2	41.3	42.0
EMPLOYEES, Non-Farm—m (lb)	Jan.	49.5	51.3	47.7	37.5
Government	Jan.	7.0	7.3	6.8	4.8
Trade	Jan.	10.8	11.7	10.4	7.9
Factory	Jan.	13.2	13.5	12.5	11.7
Weekly Hours	Jan.	40.6	41.3	40.2	40.4
Hourly Wage ($)	Jan.	1.93	1.93	1.84	0.66
Weekly Wage ($)	Jan.	78.36	79.71	73.97	21.33
PRICES—Wholesale (lb2)	Feb. 28	112.1	112.0	110.4	66.9
Retail (cd)	Dec.	208.1	208.2	207.6	116.2
COST OF LIVING (lb2)	Jan.	114.6	114.7	114.3	65.9
Food	Jan.	109.2	109.5	110.6	65.9
Clothing	Jan.	104.1	104.7	103.3	59.5
Rent	Jan.	131.4	131.1	129.5	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Dec.	15.8	15.8	15.1	4.7
Durable Goods	Dec.	5.7	5.7	5.3	1.1
Non-Durable Goods	Dec.	10.1	10.1	9.8	3.6
Dep't Store Sales (mrb)	Dec.	0.92	0.92	0.88	0.34
Consumer Credit, End Mo. (rb)	Dec.	36.2	35.1	30.1	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Jan.	28.2	29.3	24.6	14.6
Durable Goods	Jan.	14.8	15.6	12.1	7.1
Non-Durable Goods	Jan.	13.4	13.7	12.5	7.5
Shipments—$b (cd)—Totals**	Jan.	27.1	27.3	24.3	8.3
Durable Goods	Jan.	13.6	13.7	11.9	4.1
Non-Durable Goods	Jan.	13.5	13.6	12.4	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Dec.	82.1	81.6	76.9	28.6
Manufacturers'	Dec.	45.9	45.7	43.3	16.4
Wholesalers'	Dec.	12.3	12.3	11.5	4.1
Retailers'	Dec.	23.9	23.6	22.1	8.1
Dept. Store Stocks (mrb)	Dec.	2.7	2.6	2.5	1.1
BUSINESS ACTIVITY—1—pc	Feb. 25	223.9	223.2	205.1	141.8
(M. W. S.)—1—np	Feb. 28	287.7	286.9	258.7	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 759)

NEW ORDERS received by the nation's manufacturers, declined $1.1 billion on a seasonally adjusted basis in January, to a level of $28.2 billion, from the all-time peak of $29.3 billion reached the previous month. Shipments at $27.1 billion were $200 million under the previous month. With new orders still well ahead of shipments, the dip in orders did not disturb most business observers. Unfilled orders on producers' books rose further in January, hitting $56.6 billion at the month-end. This was $1.0 billion ahead of the previous month, and $9.2 billion higher than a year ago.

* * *

AUTO MANUFACTURERS are planning to boost their output in March, with better than 600,000 passenger cars scheduled to come off the assembly lines, versus output of some 555,000 cars in February. Improved sales late in February were the basis for the upward revision of production schedules. Domestic retail sales were slightly above 500,000 vehicles last month and foreign shipments accounted for perhaps 25,000 cars, so that stocks in the hands of dealers apparently rose to a new high during the month. They are currently approaching 900,000 units, versus 526,655 on hand a year ago. If March output hits scheduled figures, it will bring production in the first quarter to 1,775,000, still well under the 2,126,865 cars turned out in the corresponding 1955 period.

* * *

BUSINESS FAILURES increased by 15% in January as 1,048 firms closed their doors, the second highest monthly total for the entire postwar period, according to compilations by Dun & Bradstreet. The failure rate, which is seasonally adjusted, rose to 46, from 42 in December and 41 a year ago, but was still considerably below prewar 1939, when it was as high as 70. **LIABILITIES** of failing firms came to $42.9 million, 3% above December and the highest total since March, 1954. Biggest increase in failures over a year ago was in small firms with liabilities of less than $5,000. Retail trade was the principal source of the rise in failures with 535 retail stores on the casualty list.

* * *

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Jan.	144	144	132	93
Mining	Jan.	129	129	120	87
Durable Goods Mfr.	Jan.	160	161	145	88
Non-Durable Goods Mfr.	Jan.	130	130	121	89
CARLOADINGS—t—Total	Feb. 25	687	698	635	933
Misc. Freight	Feb. 25	364	363	338	379
Mdse. L. C. I.	Feb. 25	55	62	56	66
Grain	Feb. 25	46	47	42	43
ELEC. POWER Output (Kw.H.) m	Feb. 25	11,277	11,321	9,725	3,266
SOFT COAL, Prod. (st) m	Feb. 25	10.0	10.2	8.8	10.8
Cumulative from Jan. 1	Feb. 25	80.8	70.8	69.7	44.6
Stocks, End Mo.	Jan.	65.9	68.4	65.9	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 24	7.2	7.1	6.8	4.1
Gasoline Stocks	Feb. 24	194	189	181	86
Fuel Oil Stocks	Feb. 24	37	38	46	94
Heating Oil Stocks	Feb. 24	74	78	69	55
LUMBER, Prod.—(bd. ft.) m	Feb. 25	233	230	264	632
Stocks, End Mo. (bd. ft.) b	Dec.	8.7	8.6	9.2	7.9
STEEL INGOT PROD. (st) m	Jan.	10.8	10.5	8.8	7.0
Cumulative from Jan. 1	Jan.	10.8	117.0	8.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Mar. 1	356	440	373	94
Cumulative from Jan. 1	Mar. 1	3,730	3,374	2,753	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 25	249	226	229	165
Cigarettes, Domestic Sales—b	Nov.	32	33	29	17
Do., Cigars—m	Nov.	581	551	554	543
Do., Manufactured Tobacco (lbs.)m.	Nov.	18	17	16	28

PRESENT POSITION AND OUTLOOK

NEW HOUSING STARTS were stable in January, interrupting the downward trend of recent months, the Department of Labor has reported. Total starts during the month came to 74,000 units, with all but 1,000 of these begun by private builders. On a seasonally adjusted basis, private starts were equivalent to a rate of 1,183,000 a year, versus 1,187,000 a month earlier. The dip from a year ago is a sharp one, however, with the rate of starts in January of 1955 at a high 1,416,000 units.

* * *

EXPORTS from the United States rose to $1,398 million in December, bringing the total for 1955 to $15,518 million. This compares with $15,106 million worth of goods shipped from this country in 1954. The 1955 export total includes $1,256 million of Mutual Security Program shipments, quite a drop from the $2,255 million for the same purpose in 1954. **IMPORTS** into this country hit $11,380 million last year, a new record and 11% above the 1954 figures. Biggest increases over 1954 were chalked up by non-metallic minerals, metals and paper.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

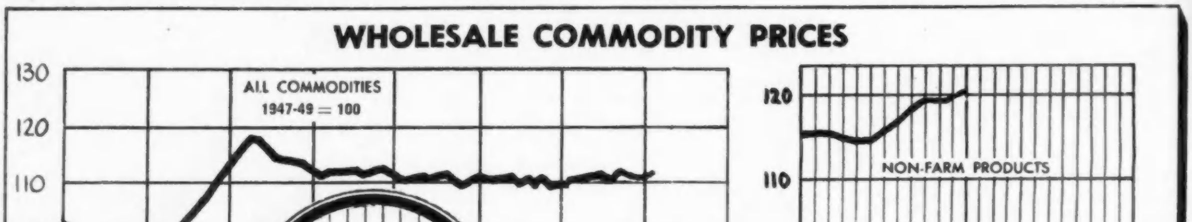
No. of Issues (1925 Cl.—100)	1955-56 Range High	1955-56 Range Low	1956 Feb. 24	1956 Mar. 2
300 Combined Average	335.5	282.0	333.1	335.5H
4 Agricultural Implements	348.7	264.9	317.3	294.4
3 Air Cond. ('53 Cl.—100)	116.0	87.0	105.8	105.8
9 Aircraft ('27 Cl.—100)	1205.5	871.7	1148.4	1136.4
7 Airlines ('27 Cl.—100)	1263.6	971.2	1065.2	1065.2
4 Aluminum ('53 Cl.—100)	388.1	191.1	366.7	377.8
6 Amusements	180.6	147.0	162.9	159.7
9 Automobile Accessories	368.6	308.3	355.9	363.0
6 Automobiles	55.8	44.3	50.2	51.2
4 Baking ('26 Cl.—100)	30.6	27.8	28.1	28.4
3 Business Machines	930.6	657.4	885.2	929.9
6 Chemicals	598.4	466.6	586.4	598.4
4 Coal Mining	22.5	14.8	22.1	22.5H
4 Communications	116.6	100.7	108.0	108.0
9 Construction	127.3	106.4	121.9	124.3
7 Containers	777.4	675.1	762.2	777.4H
7 Copper Mining	334.4	222.2	325.5	334.4H
2 Dairy Products	127.0	111.7	112.9	111.7
6 Department Stores	100.2	80.0	87.1	88.1
5 Drugs-Eth. ('53 Cl.—100)	178.2	129.6	172.0	177.3
6 Elec. Eqp. ('53 Cl.—100)	191.6	151.3	191.6	191.6
2 Finance Companies	651.1	565.1	583.9	589.8
6 Food Brands	300.6	256.2	295.7	298.7
3 Food Stores	163.7	137.7	160.8	162.4

(Nov. 14, 1936 Cl.—100)	High	Low	1956 Feb. 24	1956 Mar. 2
100 High Priced Stocks	223.3	180.6	220.7	223.3H
100 Low Priced Stocks	401.9	343.5	401.0	401.9H
4 Gold Mining	882.7	649.1	882.7	838.2
4 Investment Trusts	158.7	140.8	155.5	158.7H
3 Liquor ('27 Cl.—100)	1155.7	961.3	1005.1	1015.3
9 Machinery	412.8	317.7	412.8	412.8
3 Mail Order	234.1	159.3	206.3	212.9
4 Meat Packing	142.5	112.8	138.4	142.5H
5 Metal Fabr. ('53 Cl.—100)	196.4	155.9	196.4	196.4
10 Metals, Miscellaneous	452.3	358.2	434.8	434.8
4 Paper	1081.3	767.1	1070.8	1081.3H
22 Petroleum	747.7	590.0	733.8	747.7H
21 Public Utilities	258.5	234.8	253.9	256.4
7 Railroad Equipment	90.6	73.4	88.8	88.8
20 Railroads	77.9	64.7	75.1	76.7
3 Soft Drinks	565.7	459.9	518.3	544.8
12 Steel & Iron	320.9	219.2	305.7	308.8
4 Sugar	68.8	56.1	63.8	63.8
2 Sulphur	964.0	813.2	895.4	886.3
11 Television ('27 Cl.—100)	47.3	40.1	42.3	42.7
5 Textiles	188.9	148.4	184.4	180.7
3 Tires & Rubber	188.2	137.8	184.5	188.2H
5 Tobacco	95.7	81.9	93.9	91.0
2 Variety Stores	315.0	286.9	290.1	290.1
15 Unclassif'd ('49 Cl.—100)	158.1	141.9	153.8	153.8

H—New High for 1955-1956.

Trend of Commodities

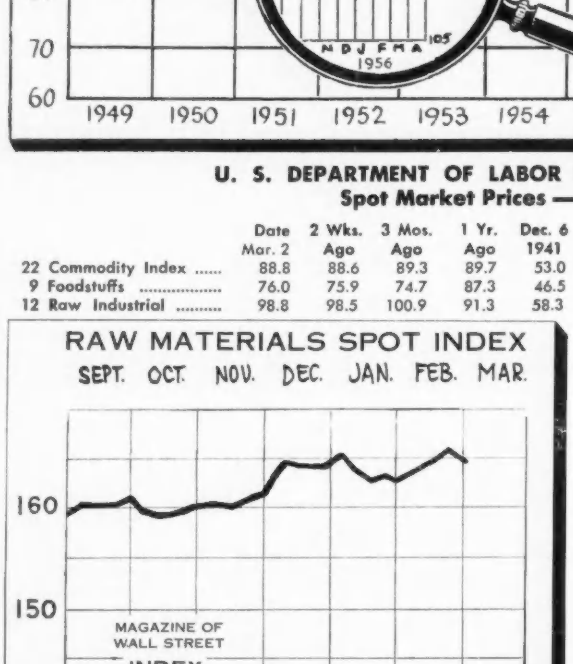
Commodity futures were mixed in the two weeks ending March 5. Grains and nearby cotton options were little changed. Cocoa and coffee declined, rubber rallied and copper was in urgent demand. The Dow-Jones Commodity Futures Index lost 2.08 points during the period, reflecting the weakness in coffee and cocoa. May wheat closed at 216¾ on March 5, only ¼ cent higher than a fortnight earlier. A recent Agriculture Department report estimates total domestic supplies for the current season at 1,964 million bushels. Domestic disappearance is forecast at 625 million bushels and exports at 275 million bushels, leaving stocks os July 1, 1956 at 1,065 million, or 40 million bushels higher than a year earlier, with most of carryover owned by the CCC. The Department also estimates that "free" supplies this year will be somewhat higher than in 1955. However, European crop losses this year may be severe. This could boost exports considerably and bring about a big change in the carryover picture. May corn lost 1 cent in the period under review to close at 133¾. The market was weakened by liquidation of longs in the expiring March option at a time when demand for spot corn was slow. However, the trade is expecting a reduction this year in the acreage devoted to corn and a heavy movement of the feed grain into the loan is anticipated. Livestock and poultry numbers are up 2% this year and this should lead to an improvement in consumption of corn. May cotton added 6 points in the two weeks ending March 5 but the October option lost 55 points. The Secretary of Agriculture Benson announced that CCC cotton holdings would be offered for export at competitive prices and this weakened demand. Some 6.7 million bales of cotton have been placed in the CCC loan to date but this amount could decrease unless a price drop discouraged repossessions.



U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date Mar. 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	88.8	88.6	89.3	89.7	53.0
9 Foodstuffs	76.0	75.9	74.7	87.3	46.5
12 Raw Industrial	98.8	98.5	100.9	91.3	58.3

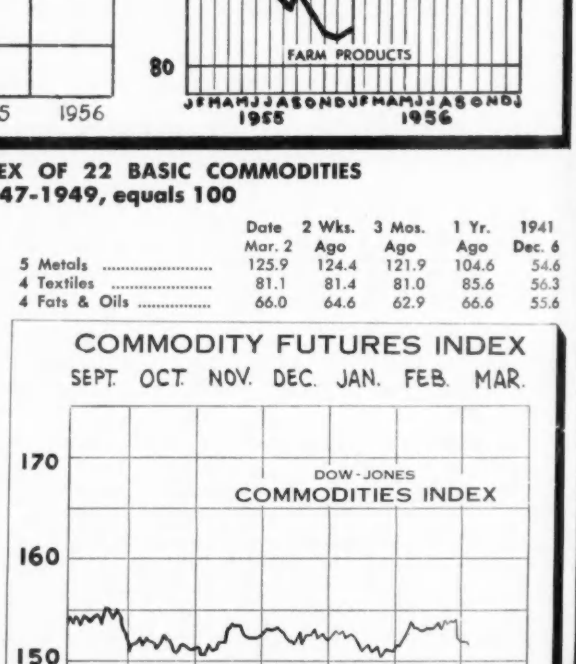
	Date Mar. 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	1941 Dec. 6
5 Metals	125.9	124.4	121.9	104.6	54.6
4 Textiles	81.1	81.4	81.0	85.6	56.3
4 Fats & Oils	66.0	64.6	62.9	66.6	55.6



14 Raw Materials, 1923-25 Average equals 100

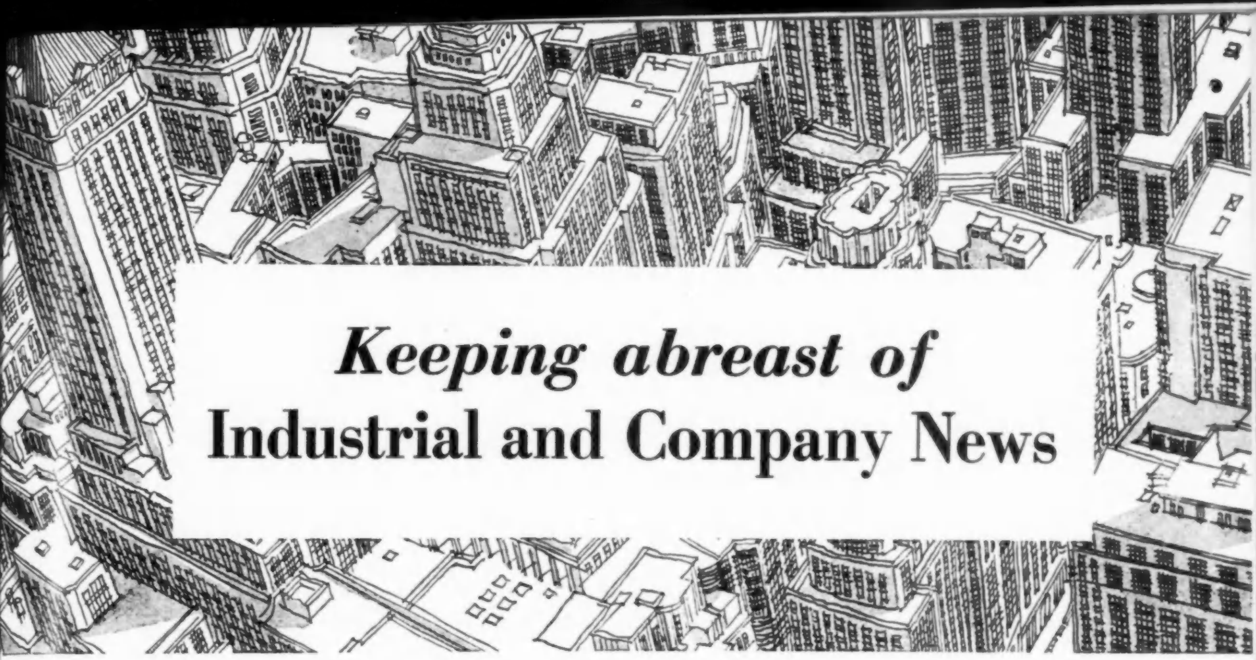
Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1955-6	1954	1953	1951	1945	1941	1938	1937
High	165.9	154.4	162.2	215.4	117.7	88.9	57.7	86.6
Low	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1955-6	1954	1953	1951	1945	1941	1938	1937
High	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.4	167.3	153.8	174.8	83.6	58.7	57:5	64.7



Keeping abreast of Industrial and Company News

The utilities continue in the forefront of the economy's capital expansion program. This trend was highlighted this month by announcement from **American Gas & Electric Co.** that it expects to spend $700 million on new power-generating and distribution equipment over the next five years. According to Philip Sporn, president, the program is the first step in expanding the company's facilities to meet a demand for electricity in its seven-state system. A fourfold rise over the next 20 years is envisaged.

The five-year plan centers around the expenditure of close to $350 million to add 2.6 million killowatts of new power-producing plant that would boost its total generating capacity to 6.6 million kw by 1960. Company plans to spend the remainder of more than $350 million on new electric transmission lines, substations and service centers. Its five-year construction program (roughly equal to the $785 million spent in the prior 10-year period) is designed to keep up with the growth in population, the increase in per customer use of power and the arrival of new industries, such as aluminum, ferro-alloys, chlorine, ammonia and other chemicals in its territory. Incidentally, this rising demand increased the company's sales by 12% in 1955 alone.

Falstaff Brewing Corp. has agreed to purchase Galveston-Houston Breweries, Inc. of Galveston, subject to approval by G-H shareholders. Terms of the transaction have not been disclosed. The Galveston brewery has an annual capacity of 450,000 barrels and gives Falstaff its first production facility in the Southwest.

The additional capacity is calculated to boost Falstaff into third place among the nation's brewers with production of more than 4.1 million barrels per year. Ballantine currently is numbered third in the industry with 1955 sales estimated at 3,953,000 barrels, compared with 3,652,000 for Falstaff.

Purchase of the Galveston company would not affect further consideration of acquiring the Harry Mitchell Brewing Co. in El Paso, Tex. Falstaff and Mitchell have been negotiating purchase of the El Paso brewery.

Mohasco Industries directors have decided that the interests of stockholders would best be served by deferring action on dividends for the preferred and common stocks "until company's financial position substantiates the payment of cumulated stock arrearages as well as a modest common dividend." Those investors familiar with the ups and down of the carpet-makers may better recognize Mohasco as the combination of the recently merged Alexander Smith and Mohawk Carpet Mills. "Directors have realized," the statement set forth, "that the cash reserves of the company would be most heavily taxed in the first six months of operations following the merger. In addition to the normal expenses incident to the merging of the two organizations, it was deemed necessary to build inventories at this time to service the heavy requirements of the spring selling season."

Integration of Smith and Mohawk is progressing satisfactorily and Mohasco officials are confident that benefits of the merger will be reflected in increased earnings as the major steps of the consolidation are accomplished. It is the stated intention of directors to declare the accumulated dividends on preferred and initiate "modest dividends" on the common as rapidly as can be done "consistent with the financial ability of the company to sustain the payment on a regular basis."

The air-conditioning manufacturers long have been beset by rising costs (labor and materials) and declining profit margins in a fiercely competitive field that has become too crowded for financial comfort. **Carrier Corp.,** giant of the industry and one of the few across-the-board manufacturers, reflects this condition in its fiscal year ended last January 31.

Orders booked in the year just ended totaled more than $208 million and net profit was $7,768,000, equal to $4.34 a common share. This compares with orders of nearly $191 million and net profit of $8,586,000, or $4.82 a share, for the year ended January 31, 1955. For the quarter ended January 31, 1956, sales and net slumped. Completed sales totaled $34,558,000 and net profit was $729,000, or 36 cents a share. This compares with $36,544,- (*Please turn to page* 776)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities at* reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Worthington Corp.

"I subscribed to your valued Magazine about nine months ago and find it very informative. I would appreciate receiving information on Worthington Corp." *R. T., Torrington, Conn.*

Worthington Corp. produces a wide range of industrial machinery and air-conditioning units. It serves the oil, natural gas, utilities, public works and chemical industries. Earnings have been unusually stable in recent years.

Worthington net income for 1955 reached a new high of $7,-214,989. Total sales for the year amounted to $140,82,363.

Earnings per share on common stock were $5.21, compared to $5.10 in 1954. The dividends paid on common stock continued at $2.50 per share in 1955 but the regular quarterly dividend rate was increased to 62½ cents with the declaration in February, after payment of the 50 cents yearend extra on January 3, 1956.

Worthington entered 1956 with a substantially increased backlog of orders for heavier product lines and a rising sales curve for standardized products. Productive capacity will be increased by the recently acquired plant at Ampere, N. J., which will go into full production in the second quarter of 1956. The company now operates 17 plants in the United States and 12 plants abroad.

Significant progress was made during the year by all Worthington divisions in both the air-conditioning and industrial-machinery fields. New orders totaled 34% more than in 1954. Important new designs in air-conditioning equipment, power engines, and portable compressors were introduced during the year.

In the nuclear power field, Worthington is participating in projects for the development of nuclear power for aircraft, naval and merchant ships, and land-based electric-generating stations.

Prospects over coming months continue favorable. Dependable surveys point to a high level of expenditure by industry for new and improved plant and equipment. Construction of new highways, roads and public works should increase. Company's new orders are coming in at a level exceeding the average of the same period of last year.

Niagara Mohawk Power Corp.

"I am retired and am primarily interested in good dividend paying stocks in defensive industries. How about Niagara Mohawk Power? Please furnish recent earnings and dividend data."
N. J., Youngstown, Ohio

Niagara Mohawk Power is one of the largest integrated distributors of electric energy in the world. It serves an extensive area in upstate New York, having a population in excess of 3,200,000. Electric revenues account for about 85% of the total, with remainder being derived from natural gas. The area served is highly industrialized and well-diversified. Moderate growth prospects are indicated and dividend yield is better than average for this quality utility. This stock qualifies for inclusion in a conservative investor's portfolio.

The Niagara Mohawk Power Corp. had a consolidated net income of $29,374,000 for 1955, compared with $27,760,000 for 1954. After preferred dividend requirements, this was equivalent to $2.22 per share of common stock for 1955, compared with $2.[illegible]1 per share in 1954.

Total revenues for 1955 were $227,623,000, highest in the system's history, an increase of $17,-470,000 over 1954. Most costs of doing business also increased.

Niagara Mohawk will again make large expenditures in 1956 for new power plants and other facilities to meet the ever-growing needs of its customers. Company forecasts indicated a substantial increase in new customers and a continued increase in the sale of both electricity and gas. Inquiries from present industrial customers and from prospective new industries point to a continued expansion of business in upstate New York.

Electric sales totaled 16.6 billion kilowatt hours, 11% over 1954. These increases were made in every major class of service but especially by residential and industrial customers.

Gas sales and revenues in 1955 also reached new high records. Gas sales increased 14% over 1954. At the end of the year there were 329,000 gas customers, including 125,000 heating customers. A total of 9,000 new gas customers and 17,000 new gas heating installations were added in 1955.

Niagara Mohawk spent $52,-457,000 in 1955 on electric and gas construction and service improvements. The year's expenditures brought to over $462,859,00[illegible] the amount spent on construction

(*Please turn to page 788*)

8

Gulfpride
H.D. SELECT
ALCHLOR PROCESSED
CONTROLS CARBON
GULF

Construction — A Growth Industry

(*Continued from page* 749)

increased choosiness of prospective purchasers of homes (noted in recent months) and the tighter mortgage market which developed as 1955 progressed.

The market for homes, of course, will receive a substantial measure of support from the relaxation in F.H.A. and V.A. loan terms, announced in mid-January. This relaxation has removed a source of uncertainty and concern for builders and averted the potentially depressing effect of stricter terms on residential construction. It must be borne in mind that the prime market for homes is among newlyweds and a rising generation, lacking the wherewithal to qualify for purchases under strict credit terms.

Favorable Conditions

A relatively strong demand for housing in most areas seems assured for the indefinite future. High and rising incomes, favorable job prospects, relatively liberal financing terms, a vacancy rate which still is extremely low in most areas and widespread family dissatisfaction with present living accommodations—all of these combine to provide a basically healthy underpinning for the housing field. Thus, any further decline in activity figures to be of fairly modest proportions. Although home-building in 1956 now seems likely to fall appreciably short of the 1955 rate, activity should continue high by comparison with most other years of the postwar decade.

Companies that serve the home-building field should get a boost from repair and modernization of existing buildings. A sizable part of the estimated $15.5 billion which will go into repair and modernization of existing structures will be spent on enlarging, improving and up-dating present dwellings. About 79% of the money spent for residential repair-improvement work will be used to "spruce up" homes, mainly single-family units. The $15.5 billion total would top the 1955 figure by some $50 million. The rising level in this segment of the construction industry may be traced, in large measure, to the fact that at least half of the existing home supply now is about 20 years old. Government agencies have declared some 10 million residential units to be in serious need of repair.

Record Activity In Other Segments

Taken as a whole, the construction industry (embracing homes, industrial and public activity) is expected to break records for the eleventh straight year with $44.5 billion worth of new building in 1956. For 1955, the total was $42.2 billion, which represented a rise of 12% from 1954. Thus, the overall rise in the current year will be considerably below the rate of gain registered last year.

Adding the $44.5 billion to the $15.5 billion of anticipated maintenance and repair work points to a $60 billion construction year, compared with about $57 billion in 1955.

Private and public building construction should be about $1 billion greater in 1956 than last year, despite the anticipated leveling-off in home-building. Heavy-construction volume, which reached $15.7 billion in 1955, is expected to rise by a billion dollars this year.

Highway construction, which will be dealt with in a subsequent issue of the Magazine, should make a $5 billion contribution to the $60 billion over-all sum. This would be a 12% rise from the 1955 total. The $5 billion figure is estimated, regardless of what action is taken on proposals for an expanded long-range program now being considered in Congress.

Government Spending

The Administration's legislative program, as outlined in President Eisenhower's budget for the fiscal year 1957, contemplates a total of $4,850,000,000 of Government construction of all kinds. This entails an 8% increase in Government spending over the budget for the current fiscal year ending June 30. A slight decrease in defense construction would be more than offset by an 18% rise in civil public works.

Backing up the bright prospects for 1956 is the rapid growth in the backlog of heavy-construction projects in the planning stage. This backlog increased at its fastest rate in history during 1955 and by the close of the year it had attained a new peak of more than $93 billion. Furthermore, the tremendous flow of new work which is piling up in design offices shows no signs of dwindling. The volume of proposed work was especially heavy during the second half of last year, increasing 18% from the first-half volume. And in January of this year, the $3.1 billion in proposed work was 82% above the estimated cost of projects proposed during January of 1955.

New records for private, up 7%, and state and municipal contracts, up 15%, are likely for this year. Major types of construction which are expected to register new highs in 1956 include: waterworks, up 11%; sewerage, up 9%; earthwork-irrigation-drainage, up 28%, and commercial building, up 9%.

Problems Of the Builders

The problems of the home-builders also beset the balance of the field—tight money, higher interest costs and rising construction costs—problems that could well hamper the decade-long boom. In addition, there is the problem of obtaining sufficient material to meet the needs of this expanding market. While increased capacity now is in the works—steel, cement and aluminum are leaders in this expansion—the industry again may face scattered shortages of key materials, such as cropped up in 1955.

Shortages and slow deliveries of key construction materials already are in evidence, although it will be some weeks before construction hits full stride. Contractors ordering materials well in advance, getting commitments farther ahead than last year, will fare best in the scramble shaping up.

Major critical materials are steel, glass, Douglas fir, plywood and aluminum building sheets. Other items are less of a problem now, but cement, copper water tubing, vitrified sewer pipe and southern pine could become critical later.

The fact that there are shortages now, when construction activity has slackened for the winter, means that some manufacturers and distributors are not building up supplies for the spring

(*Please turn to page* 768)

Only STEEL can do so many jobs so well

Let It Snow. This eye-popping "Sno-Freighter," built by one of our customers for Alaska Freight Lines, Inc., operates over snow, ice and bulldozed trails. Each wheel in the 6-unit train is driven with its own electric motor. The 7-foot-high tubeless tires are 38 inches wide at the base, and the Sno-Freighter can wade through 6-foot-deep water without damage. USS steels played an important part in this amazing machine, including USS Shelby Seamless Tubing for the vital car coupling system.

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Construction — A Growth Industry

(*Continued from page* 766)

and summer demand. Others are still working off backlogs of last year.

Currently, glass is the most widespread problem. Deliveries to some places in the Far West are taking as long as four months. Steel continues to be in short supply, as last year, with structurals, reinforcing bars and sheet piling short in many cities. Other metal products used in construction are short in scattered regions. Stainless steel, as an example, is in short supply owing to the tightness of nickel. Unless the Government releases supplies from its stockpile, stainless steel may become even more difficult to come by.

Cement and Gypsum

Cement is in reasonably good supply for the moment, though this is largely due to the seasonal letdown in construction activity. Gypsum products are short in innumerable areas. Demand has been so phenomenal for these products that new entries to the field are expected—notably Allied Chemical & Dye Corp. and Johns-Manville Corp.

As contractors took on a record volume of new construction awards in 1955, they rushed to distributors with orders for new excavating and earth-moving equipment. The sharp upswing in orders caught manufacturers and distributors unprepared, in many instances. Though the sales lag during the first half of 1954 gave way to an upturn late in that year, the big increase in 1955 volume was unexpected.

Deliveries began to stretch out in the first quarter of last year and, although shipments turned sharply upward (setting a third-quarter record), there are still reports of slow deliveries and short stocks of equipment in several areas. Many manufacturers currently are allocating shipments of tractors and tractors with scrapers.

Throughout the construction-equipment industry, new facilities are rising, companies are being solidified and expanded through mergers, sales organizations are being realigned and new products are being introduced to handle greater work loads. This speedup, incidentally, may affect the ability of other business people to get supplies of such materials as steel and cement for their needs. And the success of construction-equipment manufacturers in their race to grow as fast as the nation's quickening construction tempo also will have a lot to do with how fast new plants, schools and other projects get built.

Blaw-Knox Co. calculates that the construction-machinery business is on the verge of a decade-long period of accelerated activity. International Harvester Co., which built its world reputation on farm equipment, is pushing ahead so fast in sales of industrial and construction equipment that volume of its industrial power division may rival those of its farm-equipment division in another five years. That company expects sales of the fast-growing division to increase by 35% to 50% this year from 1955. Domestic sales will increase by an even larger percentage. Clark Equipment Co., which is best known as a materials-handling equipment company, finished its first full year in the construction-equipment field on December 31, last. Sales were in excess of $30 million. The company figures 1956 sales should go over $40 million.

The story is pretty much the same throughout the industry. Sales this year are expected to reach $2 billion, up sharply from last year's record $1.7 billion and 1954's $1.4 billion.

Quest for Efficiency

Rising costs of labor and material have stirred builders to seek heightened efficiency. Development of the science of construction provides new opportunities for application of time-and-motion studies and operations research techniques used in industrial operations. Cost-cutting methods of operational planning also are available. An illustration is provided by the H. K. Ferguson Co. Its main function is the preparation of "pre-plans" of various construction steps. A pre-plan for pouring a floor slab, for example, would show materials needed, crafts involved, methods to be followed and references applicable and specifications. For a big job, several dozen such pre-plans would be prepared. To support them, the planning engineers might make a methods study to determine the best way to perform an operation.

Another instance is the experience of Procter & Gamble Co., whose soap-detergent-tooth paste business is far removed from construction. However, that company spends some $30 million a year on construction. It has worked with some of its contractors to apply industrial cost-saving methods to construction with remarkable results. The methods boil down to detailed advanced planning with effective follow-up. P & G has found that a dollar spent on planning results in a construction saving for P & G of $2.50.

Costs Continue Rise

There is no disposition within the construction industry to minimize the over-riding need of cost-cutting and efficiency of operation. We have cited the rising costs of materials. In addition, another round of wage increases will be coming along in the late spring to add to the pressure on already painful costs.

Contractors may be expected to increase their selling prices under these conditions. But even so customers will be getting a good deal because contractors, by and large, have held the advance in their prices to a fraction of the steady climb in labor and materials costs.

For the longer term, however, the industry fears the debilitating effect of mounting costs. One has only to compare the actual dollar expenditures for construction over the postwar decade with the physical volume produced, as measured in dollars of constant purchasing power, to appreciate what is happening. Facilities erected in 1955 could have been built for half that amount in 1939. A better idea of this problem may be gleaned from these few additional statistics:

The cost of building a brick residence in Atlanta last year was up more than 155% from 1939. The cost of erecting an apartment house, hotel or office building in New York has jumped over 125% from the days preceding World War II. The cost of putting up a factory in the San Francisco area has gone up more than 129%

(*Please turn to page* 770)

Construction — A Growth Industry

(*Continued from page* 768)

in a span of 15 years.

Obviously, there is danger in this widening spread, for the history of unchecked cost rises is always the same—a buyers' strike and then a depression.

This danger, of course, is not imminent. With a backlog of $93 billion, there is no question about a large enough reservoir of future work to support construction at high levels for a few years, at the least.

Serving the Trade

The investor will find helpful the following breakdown of the outlook for some of the chief industries serving the construction trades:

Cement—In short supply; demand heavy. A 5% increase in capacity during 1955 and a 15% increase in prospect for 1956 should do much to ease situation, but supply certainly will remain tight for many months. Cement capacity has been increased by 60% since 1947.

Gypsum board and lath—Shows greatest increase in production, which has been doubled in the postwar decade. However, the industry still is short, although new capacity being brought into production should ease shortages for most areas by midyear. On the whole, despite spot shortages, supply should be better than in 1955.

Lumber—Demand is about same or slightly lower than in 1955. Spot problems are due to transportation and, possibly, prolonged bad weather. No serious problems, although it may be tight at peak of building season ahead.

Plumbing—Vitreous china fixtures tight, with little prospect for improvement before the autumn. Other plumbing items adequate.

Heating—Steel boilers now short and probably will continue short through peak of building season. Other types and accessories in good shape, although nickel shortage may affect some types of heating controls somewhat.

Brick and Tile—An indicated 10% increase in capacity should put industry in good shape to meet brick demand, although continued shortages for facing and ceramic tile should be expected. Industry is planning large capacity increase for tile.

HEAVY-CONSTRUCTION FORECAST FOR 1956
(in Millions)

Type of work	Actual 1955	Forecast 1956	% Change '55-'56
All construction	$18,722	$20,040	+7
Private	11,672	11,950	+2
Public	7,050	8,090	+16
State & municipal	5,415	6,240	+15
Federal	1,635	1,900	+16
Public			
Waterworks	314	350	+11
Sewerage	402	440	+9
Bridges	545	600	+10
Highways	2,137	2,550	+19
Earthwork, irr., drain	546	700	+28
Building, excl. housing	1,741	1,850	+6
Housing	246	300	+22
Unclassified	1,121	1,300	+16
Private			
Housing	6,138	5,600	—9
Commercial	1,656	1,800	+9
Industrial	2,951	3,700	+25
Unclassified	925	850	—8

Glass—Now in short supply and not much improvement expected early this year. If automotive output continues to decline then improvement in supply can be anticipated. New plant capacity now under construction should ease shortages over the long term. However, increasing school and other non-residential construction as well as repair-and-maintenance markets should make for strong demand.

Miscellaneous—No problem expected in supply of such metal products as builders' hardware, electric wire and fixtures, metal lath, sheet metal products, asbestos cement products, asphalt, hardboard and insulation.

From the standpoint of the investor, it must be noted that many of the building stocks have registered substantial advances. Therefore, a considerable measure of caution is in order. Accordingly, the comments on individual stocks and the ratings (see accompanying table) should prove helpful to the investor. —END

Inventory Trends

(*Continued from page* 739)

up to now, for new cars).

In the machinery industries, the same situation prevails, although its development is still at an early state. Stock-sales ratios in the industry turned upward in July, rose slowly into the fourth quarter, and are now advancing rapidly. In primary metals industries, stock-sales ratios reached a trough as early as last June, and have been rising with increasing velocity ever since. Only in fabricated metal products lines have stock-sales ratios failed to rise since last summer, and even here there is some indication that the ratios are on the uptrend in early 1956.

Significance of Trends

These trends in the stock-sales relationship in durables manufacturing industries have a vital significance for 1956, because they are very likely to set the timing of the business peak which most analysts now expect will occur during the year. This central importance of the hard-goods inventory trend arises out of a special characteristic of current business conditions: the steady shift of activity out of the automobile industry, and the consequent release of raw materials for other durables lines.

During 1955, automobile manufacturers, faced with the greatest passenger car boom on record, and the second highest level of truck demand on record, consumed enormous quantities of raw materials — steel, copper, lead, rubber, and even aluminum. (The modern automobile now uses over 30 pounds of aluminum, as compared with almost no aluminum in prewar years.) As a result, the markets for all of these vital raw materials were in a condition of scarcity almost throughout 1955, even though the raw materials producers operated at capacity throughout the last nine months of the year. Because the automobile industry is composed of relatively large units with tremendous purchasing power, it holds an edge over other

(*Please turn to page* 772)

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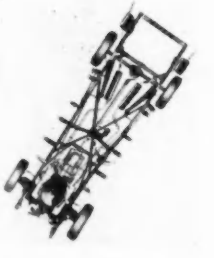
AN EXCITING NEW CHOICE IN <u>EVERY</u> PRICE CLASS

—Each car with a personality unmistakably its own

—Each built by the company that brings you the <u>newest</u> advances <u>first</u>!

THE BOLD NEW IDEA

At Studebaker-Packard, the *Bold New Idea* means that the American motorist is offered a new choice of distinctive cars in every price class—each with *product advantages* made possible by unique flexibility of production.



Torsion-Level Suspension makes possible a *smoother, safer ride* through the elimination of coil and leaf springs. It is one of the major engineering advancements recently pioneered by Studebaker-Packard—and inspired by the *Bold New Idea*.

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—The Outstanding Car in the Low Price Field

Packard for 1956
—Setting New Standards in Fine Cars

Packard *Caribbean* for 1956
—The Ultimate in Luxury Convertibles

Clipper for 1956
—America's Finest Medium Price Car—Built by Packard Craftsmen

The *Golden Hawk* for 1956
—America's Newest and Hottest Sports Car—Room for 5 Passengers

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Outstanding cars in every price class — products of Studebaker-Packard Corporation

Inventory Trends

(*Continued from page* 770)

—machinery, fabricated metal products, structural metal products, and general industrial equipment — steel, copper and rubber were in short supply. These industries, faced with a rising demand for their own output, chewed up inventories.

Faltering Car Sales

In the last half of 1955, and in the first several weeks of 1956, retail sales of automobiles began to falter badly, and retail stocks of finished cars mounted beyond the 850,000-mark for the first time on record. Thus, while many manufacturing lines were having trouble maintaining a working inventory, many key materials were being piled up at the retail level, in the form of finished automobiles.

Now this process has gone into a distinct reverse. Automobile dealers simply will not tolerate higher inventories; automobile producers have had to cut back their output, and hence their requirements for raw materials; and this easing of pressure on raw materials markets is finally allowing the non-automotive producers of hard goods to get the materials they need. The steel that was pouring into finished automobiles is now building up in the warehouses of appliance producers, machine tool producers, farm equipment producers. And the steel ingots that were formerly being rolled into sheet and strip for automobiles are now being rolled into the plates, and forged into the shapes, required in machinery, freight cars, fabricated specialties.

Inventory Shift

This inventory shift is the key to 1956: for the non-automotive industries cannot build up their inventories forever. When they no longer are interested in adding further to their warehouse stocks of steel, rubber, copper, aluminum, and a host of other materials, total inventory demand will necessarily drop sharply, and the whole character of 1956 business conditions will undergo a sharp change. The only real question at issue is when this change is likely to occur.

In a more ordinary business year, that question would not be too hard to answer. At the current rate of increase in stock-sales ratios, the level of these ratios would very likely become critical by May; in some lines, the turn could come as early as April. But in 1956 there are three possibilities which complicate the outlook.

In the first place, the general reopening of the wage agreement in the steel industry at mid-year indicates the virtual certainty of a price rise in the basic steel price, and this, of course, will act to increase the willingness of steel-consuming industries to enlarge their steel inventories at current prices. Moreover, there is a distinct possibility that before negotiations in the steel industry are complete there will have been a serious disruption of output. Because of the steel production process, a walkout of even a few days will require banking of furnaces, and loss of several million tons of ingot production. Faced with the prospect of a certain price rise, and a possible physical scarcity, steel consumers may continue to add to their steel stocks throughout the first half of the year.

Secondly, the automobile industry itself is planning a massive design change in its 1957 models which, it is hoped, will return automobile demand to the record levels of 1955. Moreover, the introduction of the new models is now expected to be at least a full month earlier than the introduction dates of recent years. Steel demand on the part of auto manufacturers may thus be in rising trend just about the time when wage negotiations in the industry reach a climax at mid-year. The two factors together foreshadow intensive steel demand at mid-year, which in turn foreshadows a very high degree of inventory tolerance with respect to steel.

Finally, there are strong indications that the residential building industry—an industry whose annual volume of output is about as big as the giant automotive industry itself—is about to reverse into an uptrend, after a decline of more than a year. While the steel consumption in residential building is not great, the industry consumes a tremendous volume of cement, copper, aluminum and lumber. An apparent uptrend in residential demand for these commodities would, of course, both strengthen their price outlook and foreshadow tight markets, and hence increase the inventory demands of other users, who will seek to beat the price increases and protect themselves against shortages.

All of this suggests that for a large number of important raw materials, there will be a continuing incentive to increase inventories at least until June, and perhaps for a few months thereafter. And the record of 1949 and 1954 both suggest that even when further inventory accumulation becomes undesirable, accumulation continues for two or three months before the adjustments of orders, cancellations and production rates are completed.

Assuming no steel strike, the peak of the inventory cycle may thus not occur until about September at manufacturing levels, and perhaps not until year-end at retail levels. (In the final quarter of the year, the automobile industry usually accumulates retail inventories for seasonal reasons.) Assuming a steel strike of some duration, the peak of the inventory cycle may well be delayed until early 1957. But in either event, the inventory peak will very likely mark a peak in general business conditions, to be followed by a considerable period of adjustment and digestion before a further expansion of general business can reasonably be expected. —END

Copper Takes On Glitter

(*Continued from page* 755)

showing at $134.8 million. Even after allowing $5.9 million for shut-down expenses during the strike at its domestic properties at the beginning of the third quarter, and $11.9 million flood and rehabilitation costs at the Chase Brass & Copper's Connecticut plant, net income for the year reached $125.6 million. This was equal to $11.61 a share, and compares with 1954 net income of $77.9 million, or $7.20 a share. Although Kennecott has operating mines in Chile, its domestic resources, including its great Utah

(*Please turn to page* 774)

Copper Takes On Glitter

(*Continued from page* 772)

open pit mine, make it one of the lowest-cost copper producers, in addition to which it is also one of the largest fabricators through its Kennecott Wire & Cable and Chase Brass & Copper divisions. Moreover, Kennecott has been carrying out a diversification program, acquiring a 13% interest in Kaiser Aluminum and a two-thirds interest in the Quebec Iron & Titanium Corp.. as well as an interest in a deposit of columbium-tantalum ore in Quebec, a joint development of Kennecott and the Molybdenum Corporation of America. An outstanding feature of Kennecott is its financial strength. It has yet to release a balance sheet as of December 31, last year, but at the end of 1954, the company showed cash of $29.3 million and ownership of U.S. Government securities, less $5 million in escrow in connection with tax litigation, totaling $214.4 million. On the same date its net working capital amounted to $269.7 million. In terms of earnings in recent years Kennecott has been generous in its dividend payments, total payout in 1955 amounting to $7.75 a share, including a $4.00 distribution in the final quarter. From a 1955 low at 98¾, the stock has moved up to a current high of 135, at which level it appears to be adequately priced. It appears that those holding the stock bought at lower price levels would be well advised to take advantage of current quotation to secure partial profits, holding the balance of their shares for secure income and long-term growth.

Phelps Dodge, the second largest domestic mine producer of copper, also is one of the largest wire manufacturers and an important custom-smelter refiner. Its large open pit operations, highly mechanized, make it one of the lowest cost producers. It also has a 16% interest in a substantial new Peruvian copper project, being developed jointly by several companies but which is not expected to come into production for several years. Phelps Dodge got off to a good start in 1955 with first quarter earnings, after depletion, rising to $1.50 a share from 1954 first quarter net of 99 cents, followed by good second and third quarter results that brought net for the first nine months to $4.61 a share. A conservative estimate of full year's earnings would place net income at a little better than $6.00 a share. This would compare with $4.19 a share shown for 1954. First quarter earnings in the current year will undoubtedly reflect the month-long strike that ended in early February, but with the price of copper holding at its present level through the 1956 first half-year net income for the period should better the preceding year's first six months' showing. Current quarterly dividends of 75 cents a share, increased from 65 cents in the 1955 third quarter, are conservative in relation to estimated 1955 earnings. At its current level of 68, the stock is 20 points higher than its 1955 low, and appears to be adequately priced. —END.

Companies In Earnings Uptrend

(*Continued from page* 745)

the Government. Through this unit, Thompson Products is doing development work. It expects to obtain important defense contracts in guided missiles and eventually enter commercial electronics. The new activity could mean an increase of 10% to 20% in Thompson Products' annual volume.

Vulnerability of Single Product

A company tied to one product or one market is usually more vulnerable to strikes, fires, bad styling of products in a single season, etc. But in moving towards greater diversification, the company must evaluate its own strength, so that it will know best which new line it can enter with the least risk, in view of the company's potentialities. One major food company, General Foods, has been investigating new non-food fields for the last two years. It would like to find an industry with good growth potentialities, and whose product can be marketed through the same supermarkets which sell General Foods' present line. Such an industry might be household paper products. But this might involve an investment of $100 million or more for an integrated operation going back to the forests to assure control of costs. General Foods must be sure of its ground before it goes ahead with such a venture.

Borg-Warner, primarily an auto supply company, is expanding rapidly in chemicals, electronics and petroleum—fields in which it thinks it can make a contribution. The Gillette Co. has a planned approach to its product diversification program. Recognizing that its line of razors and blades was sold through drug and department stores primarily, Gillette has sought new products that would fit into the same distribution pattern. Hence, it has acquired Toni and Paper Mate, hair-curl and pen units which could be sold through the same sales organization, using the tried and tested merchandising methods that have given Gillette phenomenal growth

Assaying Resources

Each company must evaluate its own resources, and thus can make a decision whether the product diversification program is to be carried out through product development, product acquisition, company acquisition or a combination of those three methods. In new industries such as electronics, obsolescence of new products is rapid and development costs may be extremely high, adding to the risks.

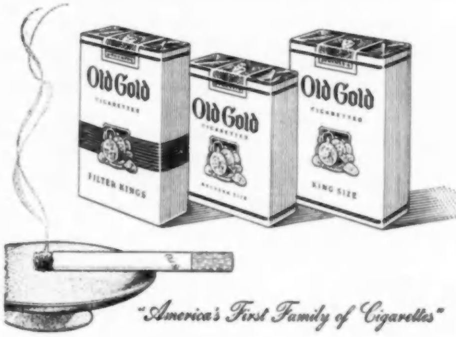
Union Carbide & Carbon, with a powerful research organization, has diversified in titanium and other metals and alloys; plastics, atomic energy and many other fields requiring scientific achievement. Mergers are not relied upon by such a company for growth. Last year, the company invested $102 million in new plants, to carry out its diversification and growth program. The company is now introducing new products at the rate of two a month—double the rate of the last 25 years.

Similarly, it has been a natural development for the major petroleum companies to develop rapidly in the petrochemical field. In some cases, progress was speeded up by entering into new investments jointly with chemical companies, but oil companies with

(*Please turn to page* 776)

Annual Report for 1955
of P. LORILLARD COMPANY

makers of fine tobacco products



"America's First Family of Cigarettes"

CONSOLIDATED EARNINGS

	Year Ended December 31	
	1955	*1954*
Revenues:		
Net Sales	$228,268,392	$231,046,695
Other (net)	77,304	150,190
Total Revenues	$228,315,696	$231,196,885
Costs and Expenses:		
Cost of Goods Sold, Selling, Advertising, and Administrative Expenses	$213,605,638	$215,936,851
Interest	2,919,731	2,630,891
Federal and State Income Taxes	6,189,500	6,287,000
Total Costs and Expenses	$222,714,869	$224,854,742
Earnings Before Special Credit	$ 5,630,827	$ 6,342,143
Special Credit—Profit on sale of property, less capital gains tax	965,173	
Net Earnings	$ 6,596,000	$ 6,342,143
Dividends on Preferred Stock ($7 per share in each year)	686,000	686,000
Earnings Applicable to Common Stock ($2.07 per share in 1955 including 34 cents from special credit; $1.98 per share in 1954)	$ 5,910,000	$ 5,656,143
Dividends on Common Stock ($1.35 per share in 1955; $1.60 per share in 1954)	3,851,257	4,564,450
Remainder of Earnings (retained for use in the business)	$ 2,058,743	$ 1,091,693

Provision for depreciation: $1,246,422 in 1955 and $1,156,837 in 1954.

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31	
	1955	*1954*
CURRENT ASSETS:		
Cash	$ 6,521,814	$ 7,812,959
Accounts receivable—customers (less $402,203 in 1955 and $582,908 in 1954 for doubtful accounts and cash discounts)	10,187,553	10,456,765
Other accounts receivable	596,941	657,431
Inventories (at average cost):		
Leaf tobacco	125,268,174	127,432,128
Manufactured stock and revenue stamps	11,786,137	12,341,618
Materials and supplies	3,934,024	4,415,694
Total current assets	$158,294,643	$163,116,595
PROPERTY, PLANT, AND EQUIPMENT		
(As adjusted December 31, 1932 by authorization of stockholders, plus subsequent additions at cost, less retirements):		
Land	$ 938,292	$ 991,874
Buildings and building equipment	14,451,061	9,546,357
Machinery and equipment	18,903,404	16,979,834
	$ 34,292,757	$ 27,518,065
Less accumulated depreciation	8,803,966	8,842,842
Total property, plant, and equipment—net	$ 25,488,791	$ 18,675,223
OTHER ASSETS:		
Mortgage note receivable	$ 300,000	
Prepaid expenses and deferred charges	1,453,903	$ 1,529,459
Unamortized debenture discount and expense	829,043	888,275
Brands, trade marks, and goodwill	1	1
Total other assets	$ 2,582,947	$ 2,417,735
TOTAL	$186,366,381	$184,209,553

LIABILITIES

	December 31	
	1955	*1954*
CURRENT LIABILITIES:		
Notes payable (banks)	$ 32,700,000	$ 40,700,000
Accounts payable	3,984,374	4,288,466
Debentures due within one year (less held by Company)	1,159,000	850,000
Accrued taxes	6,344,511	6,851,057
Accrued payrolls	660,153	616,643
Accrued interest	534,836	467,437
Other accrued liabilities	460,193	466,196
Total current liabilities	$ 45,843,067	$ 54,239,799
LONG-TERM DEBT:		
Notes payable (3% and 3¼%)—due serially October 1, 1957 to July 1, 1963	$ 10,000,000	
Twenty Year 3% Debentures, due October 1, 1963 ($600,000 to be retired annually to 1962)	13,600,000	$ 14,200,000
Twenty-five Year 3% Debentures, due March 1, 1976 ($350,000 to be retired annually to 1975)	13,950,000	14,300,000
Twenty-five Year 3¾% Debentures, due April 1, 1978 ($675,000 to be retired annually to 1977)	21,825,000	22,500,000
Total long-term debt	$ 59,375,000	$ 51,000,000
RESERVE FOR CONTINGENT INCENTIVE COMPENSATION	$ 119,817	
CAPITAL AND RETAINED EARNINGS:		
7% Cumulative Preferred Stock (par value $100 per share)— authorized 99,576 shares; issued 98,000 shares	$ 9,800,000	$ 9,800,000
Common Stock (par value $10 per share)— authorized 5,000,000 shares; issued 2,852,854.89 shares	28,528,549	28,528,549
Additional paid-in capital (premiums less expenses on common stock issued)	8,085,578	8,085,578
Earnings retained for use in the business	34,614,370	32,555,627
Total capital and retained earnings	$ 81,028,497	$ 78,969,754
TOTAL	$186,366,381	$184,209,553

Covenants limiting the payment of dividends on common stock and the purchase, redemption, or retirement of such stock are contained in the debenture indentures and in the note agreement. Under the most restrictive of these covenants the amount which could have been expended for the foregoing purposes at December 31, 1955 was limited to approximately $7,058,000.

P. Lorillard Company

SOME LEADING PRODUCTS OF P. LORILLARD COMPANY
AMERICA'S OLDEST TOBACCO MERCHANTS • ESTABLISHED 1760

Other Products

Cigarettes
MURAD
HELMAR

Smoking Tobaccos
FRIENDS
INDIA HOUSE

Chewing Tobaccos
BAGPIPE
HAVANA BLOSSOM

We'll be glad to send you a copy of our Illustrated Annual Report for 1955. Write P. Lorillard Company, 119 West 40th Street, New York 18, N. Y.

Companies In Earnings Uptrend

(*Continued from page* 774)

strong research programs have been able to go ahead on their own in the petrochemical field.

St. Regis Paper Co. has speeded up its growth by making extensive use of the merger approach during the last two years. In some of these mergers, it has been integrating vertically, that is, it has been acquiring companies that could use kraft paper and board produced by St. Regis' mills.

In thus buying markets which would consume the raw materials which it is producing, St. Regis is not only achieving a broader range of products, but it is also greatly strengthening its market position.

Moving Into Many Fields

General Tire, on the other hand, has been diversifying horizontally. It has been moving into fields such as radio, television and entertainment, through acquisition of RKO-Radio Pictures. It has entered chemicals, jet propulsion, and other lines, which account for 35% of its volume, while its tire business today accounts for only 65% of the total. Some of its moves, such as the RKO-Radio Pictures purchase, appear to have been purely opportunistic, with the idea of quickly realizing profits, rather than with a view to long-range development.

Joy Manufacturing Co., with excellent technical and management skills, broadened its product line considerably during the period when coal-mining machinery was meeting marketing problems owing to the slump in coal uses. It acquired, for example, an oilwell equipment subsidiary. Now that coal has recovered sharply, Joy is not only benefiting from this development, but the oil-machinery division and other properties which it has acquired or built for diversification are providing additional profits.

Broad diversification sometimes comes to a company without too much planning, if it does a good job in its own field. Steel, originally a prince-or-pauper industry, would run into periodic slumps, because its market was primarily the capital-goods industries. But today, disposable income of the average consumer has grown vastly; this income is going into automobiles, appliances and other household products made of lightweight sheet steel. The purchase of such products is steadier, year in and year out than the purchase of railroad freight cars, for example. Hence, steel has achieved product diversification in the light end of its business.

The lighter steel products—sheets, tin plate, galvanized metal—now account for two-thirds of the annual volume of sales in steel, whereas 20 years ago, such products accounted for only one-third of the total volume. Steel companies have also diversified into stainless steel, electrical steels, by-product coke chemicals, plastic pipe, steel barrels and many other lines. All that was required was to find money to invest in additional facilities, as the industry's own markets steadily grew.

In the final analysis, there is no royal road to success in product diversification. Each company must assay its own prospects and potentialities. It must decide whether the addition of another product will really strengthen its picture, or whether it will merely dilute a management that is already not able to keep up with the procession in its own field. The grass always looks greener in the other man's backyard. Under a planned program of diversification, management can speed up a company's growth. It can also discover whether the grass is really greener, on the other side of the fence, or whether distance is merely lending enchantment.—END

Keeping abreast of Industrial and Company News

(*Continued from page* 763)

000 in sales and net of $1,448,000, equal to 84 cents a share, in the year-ago quarter. The company blames the decline on seasonal trends which, it contends, were more apparent this year than last. A bright spot is the high rate at which new orders are being booked, totaling $54 million in the final quarter, against little more than $44 million in the last period of the preceding year. However, since costs are up substantially and compensatory price increases are not satisfactory, it will not be easy to match even the relatively poor showing of the latest fiscal year.

Like the utility field, the chemical industry has been in the van of the economic expansion and modernization program that has been characteristic of the post-war decade. **Allied Chemical & Dye Corp.,** a leader in its field, will continue its long-range expansion program with expenditure of between $70 million and $80 million for new plants this year. Last year, capital expenditures were only $54 million. However, the current year will fall short of the $94 million expended in 1954. Allied Chemical, last year, registered record sales of $628 million, compared with $530 million in 1954, while net profit was boosted to a record $5.72 a share, against $4.80 for 1954.

Caterpillar Tractor Co., a giant in its field, marked in 1955 the investment of its 200 millionth post-war dollar for expansion and modernization of plant necessary to the manufacture of increased quantities of improved product lines. And further investment will be required to keep pace with future opportunities. Caterpillar has missed few, if any, opportunities, judged by its outstanding showing for 1955. Sales were $523,893,000, the highest in the history of the company, up 30% from 1954. Net was at a record peak of $34,773,000, up 38%. Earnings per common share totaled $4.04. In 1954, the profit per share was $2.91, adjusting for the 2-for-1 stock split in April, 1955. Cash dividends paid on common in 1955 were at rate of $1.60 a share, compared with $1 in 1954, adjusted for split.

In the all-important matter of percentage of profit on sales, Caterpillar also had cause to be pleased. The figure for 1955 was 6.64%, compared with 1954's 6.27%. Outlook for 1956: Demand for its products, at home and abroad, should continue at high levels, mostly likely another record. If the expected higher sales

(*Please turn to page* 778)

Why We Must Have Better Roads Now!

An authority gives facts and figures on America's imperative need for action on better roads in 1956—

George A. Dondero

"Few people realize how much our nation depends upon roads to keep our expanding economy moving goods to market and men to and from work."

This is the frank opinion of Congressman George A. Dondero of Michigan, member of the Public Works Committee of the House of Representatives.

"Just listen to these figures. Approximately 85 percent of all food products reach their first market by truck. In fact, trucks move 75 percent of all tonnage in this country. And 85 percent of travel by people from city to city is by our highways.

"Quite clearly," Dondero says, "the health of our people and our economy depend on better roads for the better cars, trucks and buses of the future."

Why roads are dangerous

Most of America's highways were not designed for today's volume and kind of traffic, Dondero observes.

"Frankly, our roads are at least 20 years behind our economy. Many are dangerously narrow and poorly constructed, by present standards, to handle the increasing load of passenger and commercial vehicles.

"Many highways are worn out. They're obsolete. This is due mainly to the four-year moratorium on construction and improvement of our roads during World War II."

What better roads will mean

"Good roads and automobiles are married. They cannot be divorced. They cannot even agree to a separation. They are forever united."

As is well known, the automobile industry has made enormous strides in safer motoring through continuing research and the introduction of life-saving, accident-preventing innovations. But as Dondero points out, "While our cars, trucks, and buses have improved tremendously, our highways have failed to keep pace. This need not be. It should not be. Good roads will pay for themselves in the saving of life, property and cost of operation."

"It is estimated," the Michigan Congressman says, "that upon completion of a 40,000-mile interstate highway system (main highways connecting 42 state capitals and 90 percent of all cities in the United States with more than 50,000 people) we will save 35,000 lives in the first decade after completion, or about the equal of a year's national traffic toll."

We must act now

"Unless we meet this challenge *now* and improve our roads, by 1965 approximately 55,000 people will be killed *each year* on our inadequate roads," the Congressman continues.

"Today, with 60 million registered cars, there is one car for every three people. Currently, 40,000 people are killed annually on our roads.

"What can we expect by 1965 when it's predicted 80 million cars will be using our highways? Most certainly without better roads the tragic record will be worse than the present toll of more than 100 people killed and 3,000 injured *every day*."

National's role

As safety-minded citizens and forward-thinking businessmen, we at National Steel are vitally interested in better roads for our nation. The future of our nation's economy, our national defense and the lives of our people demand more and better roads.

National Steel—through two of its major divisions: Great Lakes Steel at Detroit, Michigan and Weirton Steel at Weirton, West Virginia—is a major supplier of the ever better, stronger steels used by automobile manufacturers. Our constant goal—through research and cooperation with the automobile industry — is to make better and better steel for still greater safety, strength and economy in cars and trucks today and tomorrow.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION

GRANT BUILDING · PITTSBURGH, PA.

Keeping abreast of Industrial and Company News

(*Continued from page* 776)

materialize, profit also should be higher.

Safeway Stores, Inc., a foremost food chain, pushed 1955 sales to $1,932,243,000 from 1954's $1,813,517,000. Net profit, however, slipped to $13,622,000, or $3.25 per share of common stock on 3,492,129 shares, the average number outstanding during the year. In 1954, net of $13,984,000 was equal to $3.52 per share of common on 3,428,295 average shares. The decline in earnings occurred during the first 36 weeks of 1955. Net per share for the first 36 weeks was $1.81, against $2.60 during the same period of 1954. For the last 16 weeks of 1955, net per share was $1.44, compared to 92 cents in the similar period of 1954.

Atlantic Refining Co. stockholders, at annual meeting on May 1, will be asked to approve an increase in authorized common shares to 15 million from 12.5 million and debt limit to $225 million from $150 million. At the close of 1955, Atlantic had 8,965,774 common shares outstanding. Long-term debt, at that time, stood at slightly above $83 million, or approximately the same as $82.7 million outstanding at the end of 1954.

The board of directors has not adopted any plans for using the porposed additional authorizations, but believes the company should be in a position to issue securities for capital purposes when the growth of the business and future opportunities indicate its desirability without the delay incident to holding of meeting of share-owners after the 60 days' notice required by Pennsylvania law.

Atlantic is engaged in a campaign to increase its oil and gas reserves by exploration, development and purchase. Part of the program is the recently announced plan to acquire the oil and gas properties, and various other assets of Houston Oil Co. of Texas, subject to a production payment in the case of producing oil and gas properties. According to the company: "The cash, which the company will need for this acquisition, is expected to be obtained from treasury funds and by term bank loans. While the amount of such loans cannot be finally determined at this time, it is presently estimated that they will not exceed the remaining balance of the present authorization of indebtedness."

The statement adds that additional information will be provided when the official proxy statement is ready. Atlantic has not disclosed yet just how much it will have to pay for these oil, gas and other properties. Houston Oil has completed arrangements for sales of its pulp and paper properties to **Time, Inc.** and it has been said that Houston would net a total of about $225 million, or $165 a share, for liquidation of all assets.

After 32 years as the chief financial executive of the company, Leonard G. Hanson has retired as senior vice-president of **Philip Morris, Inc.** Mr. Hanson, whose 35-year background as a financial official in the tobacco industry has earned him the title of "Dean of Tobacco Finance," will continue as a director of Philip Morris.

Nicholas Kelley Jr., secretary of **Chrysler Corp.,** has been assigned the duty of heading the central organization staff which is developing the company's divisionalization program. As head of the central organization staff, Mr. Kelley succeeds F. W. Misch, who has become vice-president, finance. Mr. Kelley will continue as secretary of the company. —END

For Profit and Income

(*Continued from page* 757)

guesswork. The company has no monopoly in the drugs on which it is faring so well; and its jackpot earnings probably are subject to erosion sooner or later. Two slower, but less risky, situations are Norwich Pharmacal and Merck. The former is solidly established in proprietaries and making impressive progress in the wide family of nitrofuran ethical drugs. Its successful introductions of the latter are trademarked and patent-protected. Earnings rose to $3.01 a share in 1955, from 1954's $2.27. They might exceed $4 this year, permitting a further boost in dividends which moved in successive stages from $1 as late as 1953 to $1.60 recently. The stock has more than average merit at 49.

Others

Merck is not cheap at 28 on 1955 net of $1.40 a share and an 80-cent dividend; or on likely 1956 earnings nearer $2 a share and a moderately higher dividend. But the stock strikes us as a pretty good "bet" on what a revitalized, younger management may do over a period of time with a large, broadly-based drug company. Pfizer has an impressive record, but there does not seem to be anything "hot" in this situation at present. Among other "ethicals" the same is true of Abbot Laboratories, Parke, Davis; Johnson & Johnson, Searle and Smith, Kline & French. All probably will have higher 1956 earnings and are worth holding. Among those principally in proprietaries, such issues as American Home Products, Gillette, Sterling Drug and Warner-Lambert have merit for income return and moderate appreciation potentials.

Over 5%

You cannot have it both ways. If you want stocks of companies with dynamic long-run growth prospects — for instance, Dow Chemical, Minnesota Mining, Owens-Corning Fiberglas or similar issues—you have to accept a very low current dividend yield. If you want to secure current return of 5% or more, it can be had in stocks of companies whose operations are fairly stable and subject to relatively slow long-term growth. Here are a few, with present yields: Beneficial Finance 5.3%, Melville Shoe 5.6%, National Biscuit 5.3%, Pacific Lighting 5.1%, Reynolds Tobacco "B" 5.5%, Union Tank Car 5.2% and Wrigley 5.2%. In the snuff stocks—American Snuff, Helme and U. S. Tobacco—you can get safe yields well over 6%, but with a virtual guarantee of no long-run growth whatever.

—END

Electronics - TV

In Next Issue

Commercial Credit reports

CONSOLIDATED net income of the finance companies, insurance companies and manufacturing companies from current operations, after payment of taxes, exceeded $26,000,000, the largest in COMMERCIAL CREDIT's history. The volume of receivables acquired by the finance companies during 1955 aggregated $3,677,241,749, compared with $2,467,968,945 during 1954. The 1955 volume of the finance companies was larger than any previous year in the Company's history.

The outstanding receivables of the finance companies of $1,247,545,835, were approximately 50% above similar outstandings on December 31, 1954, and were larger than for any previous year.

Gross written premiums of the insurance companies, prior to reinsurance, during 1955 were $47,056,317, compared with $33,289,952 for the previous year.

Net sales of the manufacturing companies during 1955 were $117,992,005, compared with $113,584,595 during 1954.

Net income per common share was $5.22 on the number of shares outstanding and was larger than for any previous year in the Company's history, and compares with $4.86 per share during 1954.

The book value of the common shares has increased $12.37 during the past five years, and on December 31, 1955 was $37.88. During this five year period the Company paid cash dividends of $58,620,448 on its common shares, and retained $55,169,440 in the business. Capital funds of the Company on December 31, 1955 exceeded $190,000,000 which, with $80,000,000 of subordinated unsecured notes, and $25,000,000 Junior subordinated notes, provided a base of credit for borrowing purposes of $295,000,000. The Company held reserves of $117,500,000 available for credit to future operations, expenses, credit losses and earnings.

We are grateful for the continued use of our facilities by manufacturers, wholesalers, retailers and customers, and the continued support of our stockholders, institutions and others who have provided our operating funds. We appreciate the intelligent cooperation and enthusiasm of the officers and employes in the handling of the Company's operations, which made 1955 the largest earnings year in the history of the Company. The outlook for 1956 for the Company and its subsidiaries appears satisfactory.

E. C. Wareheim, *Chairman of the Board*
A. E. Duncan, *Founder Chairman*
E. L. Grimes, *President*

Condensed consolidated balance sheets as of December 31, 1955 and 1954

ASSETS

	1955	1954
CASH AND MARKETABLE SECURITIES	$ 190 532 645	$ 132 855 034
RECEIVABLES:		
Motor and other retail	816 989 402	547 831 264
Motor and other wholesale	225 590 720	110 243 500
Direct loan receivables	49 628 455	44 493 577
Commercial and other receivables	156 450 891	132 053 574
	1 248 659 468	834 621 915
Less: unearned income	63 488 898	40 720 083
reserve for losses	16 385 073	12 448 330
Total receivables, net	1 168 785 497	781 453 502
OTHER CURRENT ASSETS	27 791 421	22 231 596
FIXED AND OTHER ASSETS	18 449 923	15 174 820
DEFERRED CHARGES	7 995 844	4 088 157
	$1 413 555 330	$ 955 803 109

LIABILITIES

	1955	1954
NOTES PAYABLE, SHORT TERM	$ 790 319 000	$ 363 162 500
ACCOUNTS PAYABLE AND ACCRUALS	49 047 254	41 226 001
U.S. AND CANADIAN INCOME TAXES	30 175 468	25 156 943
RESERVES	77 122 671	62 771 971
LONG-TERM NOTES	171 875 000	184 737 500
SUBORDINATED LONG-TERM NOTES	105 000 000	102 500 000
NET WORTH:		
Common stock	50 155 161	49 852 961
Capital surplus	28 515 984	27 910 552
Earned surplus	111 344 792	98 484 681
Total net worth	190 015 937	176 248 194
	$1 413 555 330	$ 955 803 109

A few facts as of December 31, 1955 and 1954

	1955	1954
Gross finance receivables acquired	$3 677 241 749	$2 467 968 945
Gross insurance premiums, prior to reinsurance	47 056 317	33 289 952
Net sales manufacturing companies	117 992 005	113 584 595
Gross income—finance companies	$ 85 124 940	$ 75 395 990
Earned insurance premiums, etc.	38 663 845	43 159 339
Gross profit—manufacturing companies	17 958 054	13 957 241
Investment and sundry income	3 488 899	3 095 755
Gross income	145 235 738	135 608 325
Total expenses and reserves, etc.	66 116 446	67 330 721
Interest and discount charges	24 922 052	20 602 557
Provision for past service benefits under amended retirement plan		2 283 326

	1955	1954
Net income before U.S. and Canadian taxes	54 197 240	45 391 721
Less U.S. and Canadian taxes on income	28 012 310	21 162 948
Net income of		
Finance companies	15 628 251	13 949 782
Insurance companies	5 877 336	7 215 929
Manufacturing companies	4 679 343	3 063 062
Total credited to earned surplus	$26 184 930	$24 228 773
Common shares outstanding, end of period	5 015 516	4 985 296
Common stock per share		
Net income	$5.22	$4.86
U.S. and Canadian tax on income	5.58	4.24
Dividends	2.65†	2.60
Book value	37.88	35.35
Interest and discount charges—times earned	*3.17*	*3.31*

†Dividend increased to annual rate of $2.80 from October 1, 1955

Offering services through subsidiaries in more than 400 offices in the United States and the Dominion of Canada.

COMMERCIAL CREDIT COMPANY *Baltimore 2, Maryland*

Copies of our 44th Annual Report available upon request

THE EDITORS'

INVESTMENT CLINIC

Case No. 19

Spotting Business Trends

The investor who undertakes the chore of analyzing industrial trends is to be commended and, more important, probably rewarded. However, altogether too many investors, judging from the tenor of our correspondence, have made anything more than a superficial study of the course of business.

An outstanding facet of this wanting in thoroughness is the tendency to overlook the divergent trends — not in the economy, but in an industry. Thus a protracted study by an investor will lead to the conclusion that the electronics or automotive industry, to provide an example, is on the verge of new, important growth. Having "spotted" a trend within an industry, the investor, unfortunately, still must select the company or companies within the group that will make major strides under the beneficent influence of the demand for electronic apparatus or motor cars and trucks, as the case may be. The unfortunate aspect, of course, is that the investor could easily choose a stock of a company that is destined, despite a high level of general prosperity within the trade, to write "red ink" or even fall by the wayside. The history of American free enterprise is replete with such examples, highlighted by the demise of some 2,000 car "makes" since the turn of the century.

Obviously, it is not enough to be confident that the building industry, as another example, is assured of a long period of growth. There are innumerable other factors that enter into any assay of the situation, any one of which could turn what seems like a sound investment into a sorry venture. There is, for instance, a possibility of home-building leveling off while public works and plant-expansion programs soar to new peaks. Thus, while construction might very well boom, it would avail a stockholder little if the product mix of the chosen company were predominantly such items as shingling, linoleum and lumber.

The Diversity Factor

It also is a fact that must not be overlooked that innumerable companies, as a result of mergers, diversification and product development in an era that has seen the research laboratories burgeon, are widely diversified, hence are less subject to sinking spells growing out of softness in an industry in which they are large factors. Thus, as an example, certain automotive suppliers are bound to feel the decline growing out of a slow-up in automobile production, while others, which have stakes in a number of other fields, will manage to hold their own, thanks to their diversity of operations.

Moreover, it is axiomatic that certain corporations are outstanding low-cost producers, while others, at the other extreme, are marginal concerns, so to speak — dependent on a high level of prosperity within the industry. Any dip in over-all business can hit such companies unusually hard.

The ever-present dangers of such loss can be minimized by the type of simple study outlined in the foregoing. And yet basic as such a lesson may be in the course of investing one's funds, it is nevertheless a fact that this elementary principle is violated daily by numerous people.

From the foregoing, it must be clear to the investor that he must scrutinize companies even more closely than industries. Companies that are well-financed, have aggressive management, give a major role to research and development, and favored with diversity of product — such companies will show to greatest advantage in any growth period and weather the economic storms best during any sudden slump in over-all business.

"Feast or Famine"

Every investor is familiar with the phrase "feast or famine industry." Even a superficial study will disclose that "quality" companies, even in such industries, have feasted, for the most part. Just as the economy does not develop evenly — automotive and electronic have easily outdistanced textiles and movies — so companies within a field of endeavor do not develop evenly.

The investor who overlooks this oft-demonstrated lesson risks the loss of his capital.

—END

Political Chess Game for Middle-East Oil

(*Continued from page* 737)

often in the past; and may be again in our own lifetime. Many reasons will bring this about, but large among them looms oil."

The tables below provide breakdowns of world petroleum output, lists operating companies and estimate spending to obtain petroleum production.

TABLE B

Future Petroleum Production
(Thousands of barrels daily)

	1955	1960	1965	% Change 1955 to 1965
Canada	345	650	1,000	
Venezuela	2,150	2,700	3,000	
Mexico	250	400	550	
Other Western Hemisphere (Except U. S.)	335	450	700	
TOTAL	3,080	4,200	5,250	
Middle East	3,240	4,830	8,280	
Far East	365	500	650	
Other Countries	145	350	500	
TOTAL EASTERN HEMI-SPHERE	3,750	5,580	9,430	
TOTAL FREE FOREIGN	6,830	9,780	14,680	+114.9
United States	7,495	8,870	9,870	+ 31.7
TOTAL FREE WORLD	14,325	18,650	24,550	+ 71.4

Estimates of Spending by Oil Companies to get Required Production
(Millions of dollars)

	In U. S.	In Free Foreign Countries	Total
1951	$3,625	$1,675	$5,300
1952	4,400	2,075	6,475
1953	5,025	2,225	7,250
1954	5,350	2,350	7,700
1955	5,600	2,600	8,200
1956-1960 ..	32,900	16,900	49,800
1961-1965 ..	40,650	24,550	65,800
1956-1965 ..	$73,550	$41,450	$115,000

COMPANIES OPERATING IN MIDDLE-EAST OIL FIELDS

IRAQ PETROLEUM CO., LTD.	
British Petroleum	23¾
Shell	23¾
Compagnie Francaise des Petroles	23¾
Near East Development Corp. (jointly owned by Socony Mobil and Standard Oil (NJ))	23¾
Gulbenkian interests	5
KUWAIT OIL CO., LTD.	
Gulf	50
British Petroleum	50
QATAR PETROLEUM CO.	
British Petroleum	23¾
Shell	23¾
Compagnie Francaise des Petroles	23¾
Near East Development Corp.	23¾
Gulbenkian interests	5
ARABIAN AMERICAN OIL CO.	
Standard Oil, California	30
Standard Oil (NJ)	30
The Texas Co.	30
Socony Mobil	10
IRANIAN CONSORTIUM	
British Petroleum	40
Standard Oil (NJ)	7
Gulf	7
Texas	7
Standard Oil, California	7
Socony Mobil	7
Nine other U. S. companies	5
Royal Dutch-Shell	14
Compagnie Francaise des Petroles	6

Quarter Century of Basic Changes

(*Continued from page* 734)

after-tax earnings of $3,000 or more in constant 1956 dollars is a strong force in our economy for the simple reason that incomes, above the mere subsistence level, create the need or desire for durable goods and at the same time provides the means to procure them by increasing both immediate purchasing power and credit qualifications. The expansion in the middle-income units from about 14.8 million in 1946 to an estimated 35 million at the present time assumes even greater importance in an economy likely to be sustained by a rising standard of living, continued advances in technology, in manufacturing, and in increasing population.

—END

BOOK REVIEW

Trucks, Trouble, and Triumph

The Norwalk Truck Line Company

By WAYNE G. BROEHL, JR.

Little of the phenomenal growth of the trucking industry has been chronicled, and heretofore no detailed account has been written on any of the trucking companies. This book is the pioneer.

The Norwalk Truck Line Company has been in the forefront in the industry's growth from the beginning. One of the country's largest motor carriers of property, the Company annually sends its drivers almost thirty million miles while in the process of moving over one million tons of commodities.

The growth of Norwalk has been inextricably linked with the life of its founder and president, John Ernsthausen. Throughout the "biography" of the business is woven this personal story, with its own set of troubles and triumphs. Shortly after World War I, his successful produce business was threatened by the poor transportation facilities then available. Almost against his will, he set up his own trucking lines to be sure of getting his perishable produce to city markets. Carried almost to the brink of bankruptcy in 1929, he put his effort increasingly into the trucking side of the business. Vastly expanding his routes and equipment in the helter-skelter growth of the industry in the 1930's, he found himself owner of a major motor carrier by World War II.

The Company and industry both bumped along during the war on worn tires and equipment. Re-equipping the fleet and adding personnel at the end of the war, Norwalk actively moved to meet the complex requirements brought about by postwar re-conversion. Today the Company is one of the leading motor carriers of the country.

Those interested in the more specific management problems and policies will find analytical material covering every phase of motor carrier operation. Federal and state regulations are discussed at length, as is the relationship of the motor carrier to its competitors, particularly the railroads. Equipment, operations, and personnel policies are considered, with emphasis on their applications to decentralized terminal operation. Much of this information in these important areas is made available for the first time.

Of particular interest is the unique plan of John Ernsthausen for transferring ownership of the Company from himself to his employees.

This book has been chosen by the editors of *The Business History Review*, the Graduate School of Business Administration, Harvard University, as the 1954 business history book dividend. Prentice-Hall, Inc. $5.50

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REET

Market Appraising Individual Issues

(*Continued from page* 731)

in January, may tell much of the story by mid-Spring. There is well-defined support for the industrial average around the 460-465 level—area of the January and February lows—against current level of 497.84. It would probably take a business-recession psychology to put the market below it.

Yields and Earnings

Upside possibilities are conjectural, coming down largely to the valuation that people will venture to put on relatively static earnings and dividends—static in the sense that over-all 1956 gain, if any, figures to be small, compared with that of 1955. Based on 1955 data, the Dow industrial average is now on a yield basis of 4.33% and at 13.9 times earnings. By these measures, it reached considerably more extreme levels in 1929, 1937 and 1946. But we doubt that it will go to past extremes; and we certainly hope not, since the penalty that would be paid, in consequence, would unquestionably be painful.

Arguing against extremism, this is a more intelligent, sophisticated, discriminating market, and a less speculative one, than was so in the top areas of 1929, 1937 or 1946. Hence, an assumption of as much as a 10% extension of the bull-market, from the December 30 high, might well prove to be over-optimistic.

There is opportunity, even at present levels, in some stocks; large and increasing risk in others; apparently little or nothing to go for in numerous laggards. Do not let the recent enthusiastic performance warp your judgment. Continue to emphasize sound evaluation of individual stocks in your buying and selling decisions. Continue to hold adequate reserves.

—Monday, March 12.

Trend of Events

(*Continued from page* 728)

Fruits of our improvisation, error and appeasement have come to full blossom in the Middle East, where contempt for the West mounts with each passing day in such countries as Egypt, Saudi Arabia, Syria and Jordan. Little Israel, whose rebirth derives largely from American sponsorship, has been all but deserted by the State Department. How we can expect other nations to repose their trust in us after the performance here is beyond us. Our refusal to permit Israel to buy defensive arms here, as an offset to Soviet-bloc arms for the Arabs, has multiplied the likelihood of a Mideast war.

As for the eleventh-hour clumsy maneuver that entailed sending a battalion of Marines to the Eastern Mediterranean, it is just another improvisation that neither will achieve peace nor win us friends in that part of the world. David ben Gurion, Prime Minister of Israel, asserted long before the decision was made to send American troops into the area that it was unthinkable boys from the United States should be asked to die in an Arab-Israeli war.

President Eisenhower said in recent days that the chances of a major world conflict had receded, but he did not rule out the likelihood of "limited fighting." Small wars, of course, sometimes grow into global conflicts, as the President, who saw service in two such wars, can attest.

The Middle East could very well be the "powder keg" of our generation.

Israel has asked only for the defensive weapons needed to discourage an Arab attack. France is prepared to sell her such arms, but wants open support from this country and Britain for such sales. We have stalled, while the French have been left alone to face the threatened reprisals of the Arab bloc.

It would appear, however, that the French, who are paying dearly for Egyptian intrigue in their North African territories, have awakened to the terrible price of appeasement. The British now show signs of awakening from their slumber, thanks to the xenophobic nationalism of Jordan, where the situation has been helped along by Egyptian and Saudi Arabian machinations.

Unfortunately, Mr. Dulles continues to believe that his feeble appeasement tactics are correct despite overwhelming evidence that there is nothing more pernicious to world peace. It is folly to insist we will have no part of a Mideast arms race when one already is in progress—only the one democratic state with Western orientation has been left at the post. Our lack of a Secretary of State with the determination to resist blackmail and threats has deprived us of the vital leadership the Free World needs in this hour of decision.

It is no secret that Mr. Dulles is the weak link in the Administration and not a few well-wishers of the President would welcome a change in the State Department. —END

Answers to Inquiries

(*Continued from page* 764)

during the 10-year expansion period following World War II. The construction budget for 1956 is about $62 million.

Included in the 1956 construction program are two 200,000 k.w. steam-electric generating units at the station at Buffalo and completion of the third of five new hydro-electric generating stations on the Raquette River in Northern New York. The Huntley station additions at Buffalo raise that station's generating capability to nearly 1,200,000 kilowatts,

(*Please turn to page* 786)

Answers to Inquiries

(*Continued from page* 785)

which is more than the firm generating capability of the proposed redevelopment project at Niagara Falls.

New natural gas-distribution facilities built during 1955 included 325 miles of pipeline.

Nigara Mohawk continued its participation in the program of Atomic Power Development Associates, studying design problems and basic research into the use of nuclear fuel for steam-electric generating plants.

During 1955, company agreed to extend and strengthen its existing transmission facilities so as to participate cooperatively with the New York State Power Authority and New York State Electric & Gas Corp. in the transmission of electricity from the St. Lawrence power project to Vermont, Plattsburgh and the U. S. Air Force Base at Plattsburgh.

The outlook for 1956 continues favorable. Dividends in 1955 totaled $1.65 per share, and 45 cents is the current quarterly rate.

Thompson Products, Inc.

"I would appreciate your opinion in regard to Thompson Products as to future growth prospects. Please furnish recent earnings data, financial position, etc." *S. H., Long Beach, Calif.*

Thompson Products is a leading producer of valves, fuel-injection systems, ball joint suspensions and other equipment for automotive and general industry; also makes jet-engine blades and hot parts for aircraft and is importantly engaged in electronics. Company's management is outstanding both in research and merchandising and the earnings record makes it a growth situation.

Net sales of Thompson Products, Inc. and subsidiaries in 1955 accelerated to the second highest level in the company's history.

Sales of $286,229,015 during 1955 compared with $268,980,897 in 1954. Heavy demand for the company's automotive products more than balanced a leveling-off of sales of aircraft components, and were mainly responsible for the year's gain in total shipments.

Earnings during 1955 reflected elements of extraordinary expense, including a major shift of the company's principal aircraft operations to components for new jet engines of advanced design. Income after taxes was $11,340,792, equivalent to $4.03 per share on the 2,728,537 shares of common stock outstanding on December 31, 1955, compared with $11,678,645 in 1954, equivalent to $4.25 a share on the 2,663,322 common shares outstanding a year earlier. Other elements affecting earnings involved the moving of the company's Valve Division to a new plant and a substantial increase in expenditures for research and development.

Taxes took $16,391,822, of which $11,830,000 represented taxes on income.

The company's total payroll during 1955 amounted to $108,530,481, representing more than 90% of income available after providing for taxes, materials, depreciation and other expenses.

Last year was a year of basic progress for Thompson Products, its subsidiaries and affiliates. The company was strengthened by continued modernization of its manufacturing facilities, the acquisition of new properties, and the successful penetration of new markets, with new and improved products. Increased emphasis was placed on research and development.

Expenditures for plant and property additions in 1955 amounted to $12,442,130, and in addition $14,200,000 of uncompleted projects were carried over into 1956. New projects author-

(*Please turn to page* 787)

ized for 1956 call for the expenditure of about $19 million. Some of the projects will involve a time span of more than a year.

During 1955 the company's net worth increased from $80,239,303 to $88,381,035. Working capital decreased by $1,669,036 and amounted to $49,680,955 at December 31, 1955. This resulted chiefly from the expanded capital expenditure program and the company's increased investment in its electronic affiliates, The RAMO - WOOLDRIDGE CORP., and Pacific Semi-conductors, Inc. Bank loans increased from $10 million to $12 million.

Current assets, including cash of $12,398,193, amounted to $93,485,207 at the end of 1955, and current liabilities, including bank loans, amounted to $43,904,252. Financial position continues good.

The company's plans for 1956 are based on the assumption that both of its principal markets—aircraft and automotive—will be down a little, and that competitive conditions will be even more pronounced than in 1955. Despite this, the company expects to enjoy a larger share of those markets, and to experience continued growth in the electronic and nuclear fields.

The company envisions for 1956, continued stability, with sales in the general range of those of 1955. Looking further ahead, the company expects a large market for its new aircraft components in 1957 and later years.

Dividends in 1955 totaled $1.40 per share and 35 cents was declared payable in the first quarter of the current year.

White Motor Co.

"Please give me detailed information on White Motor as to recent earnings, dividends and outlook, and also include financial position."

B. M., Jacksonville, Fla.

White Motor is a leading manufacturer of trucks, replacement parts and service. The company has expanded into the diesel engine field.

The highest dollar sales and net income in the history of the business was enjoyed by the White Motor in 1955, continuing the company's record of growth over the past 15 years.

Sales of all products and service (*Please turn to page* 788)

Answers to Inquiries

(*Continued from page* 787)

labor last year amounted to $179,-944,264, which represented an increase of $34,486,000, for 24% over the preceding year's total. During the year, White delivered 16,880 new vehicles, as compared with 12,951 in 1954.

After provision for taxes, net income in 1955 totaled $6,061,180, as compared with $4,888,644 the year before.

This was equivalent, after allowing for the payment of preferred stock dividends, to $5.90 a share on 969,042 common shares in 1955 as compared with $5.37 a share earned on 827,017 common shares outstanding in 1954.

Backlog of orders of this large motor truck and tractor manufacturer at the end of 1955 amounted to $45 million, which would indicate that sales volume for 1956 may exceed 1955's record-breaking volume. The potential market for new trucks, together with White's continuing drive to achieve greater efficiency and further economies in operations, support the conclusion that the outlook for 1956 appears favorable.

Earnings for the past six years have ranged from $4.44 a share to $6.20 a share. This six-year record reflects results of company's efforts to stabilize and increase earnings over an extended period of time. This has been accomplished through the diversification of product lines, the anticipation of the future requirements of customers through the introduction of new motor trucks and tractors, and the expansion and modernization of the service organization.

White has instituted an aggressive sales program, with particular emphasis on broadening the applications of its newly-acquired diesel-engine division in Springfield, Ohio, and in the construction-equipment and other industrial fields. This program has achieved an increasingly higher volume of business, with the resulting substantial backlog of orders at present. In addition, White has instituted an engineering program to improve engine performance, with the first phase of this program being the develop-

(*Please turn to page* 790)

Answers to Inquiries

(*Continued from page* 788)

ment of a new series of engines with a 20% to 34% increase in horsepower. These engines were announced to the trade in March, 1956.

Company's financial position is strong. The significant changes from the previous year were an increase of approximately $2 million in working capital to a total of more than $62 million; a decrease of about $400,000 in long-term debt; and a decrease of $2,211,100 in the par value of the preferred shares outstanding.

A total of 57,689 shares of preferred stock, aggregating $5,768,900 par value, remained outstanding at the close of 1955 out of the original amount of $8,650,000, par value, issued in August, 1953.

Dividends in 1955 totaled $2.60 and 15% in stock. The regular 67½ cents quarterly dividend is payable March 23.

Armstrong Cork Co.

"Please furnish the latest data on Armstrong Cork Co. as I am a subscriber to your Magazine."
N. B., Trenton, N. J.

Armstrong Cork products fall in three broad categories—building products, packaging materials and industrial specialties. Major building products include a full line of hard-surface floor-coverings, interior wall finishes, accoustical materials and insulating materials.

The Armstrong Cork Co. achieved a 15% increase in sales and a 22% increase in earnings in 1955.

After taxes, earnings were $14,542,000 on sales of $249,386,000, compared with earnings of $11,914,000 on sales of $217,557,000 in 1954. Earnings per share of common stock, after deducting preferred dividends, totaled $2.83, compared with $2.45 the previous year, based on the weighted average number of shares outstanding during both years and adjusted for the 3-for-1 split of last April. Dividends paid on the common stock totaled $1.50 per share, compared with $1.33 the year before.

There were significant increases in all the areas of the company's business—building materials and flooring products, industrial specialties, and packaging products.

Earnings of the company's foreign subsidiaries, expressed in U. S. dollars, were $888,000 on combined sales of $20,837,000 compared with $654,000 on $19,379,000 in 1954.

Capital expenditures in 1955 totaled $11,682,000, bringing to more than $100 million the amount spent for capital additions in the past 10 years. Expansion programs are under way at various plants and the company expects to provide for these capital additions with funds from past and current operations.

Working capital increased during the year from $48,907,094 to $52,798,822; and the shareholder's equity in the business rose from $125,317,759 to $132,317,456. Total assets at the end of 1955 were $151,289,315, compared with $142,187,890 at the close of the previous year. The ratio of current assets to current liabilities was unchanged at 3.9 to 1. Inventories were $33,219,676 at the close of 1955, compared with $30,154,955 a year previous. Book value of the common stock, adjusted for the split, rose from $22.21 to $23.39.

Sales of building materials and flooring products reached higher levels than would have been expected solely from 1955's generally accelerated construction activity. A new program of consumer advertising for accoustical ceilings was started and is continuing to produce good results. The company is aggressively striving to promote the growing use of products in pre-fabricated houses; and greater attention was given to the large commercial and institutional market for flooring. On September 1st, 1955, the company took over the distribution of Deltox fiber rugs and carpet, which had been handled by the Deltox Rug Co. since it became an Armstrong subsidiary late in 1954. Sales of industrial specialties reached a new peak last year.

In the packaging field, sales of glass containers, metal and plastic closures and related items reached a new high level. A favorable factor here is the growing consumer acceptance of glass packaging, particularly for food products.

Dividends in 1955 on the $1 par stock were $1.20 and 90 cents on the no par stock before the split. Present quarterly rate is 30 cents per share. —END

Mrs. Brown refused to sink

"Keep rowing or I'll toss you all overboard!"

The threat came from a redhead in corset and bloomers, with a Colt .45 lashed to her waist. And as the lifeboat marked *S.S. Titanic* lurched into the waves, she rowed too, rowed until her hands bled.

Mrs. Margaret Tobin Brown had come a long way to take charge of that crowded lifeboat. Once penniless, she now had millions. Once semi-illiterate, she now knew five languages. Once spurned by Denver society, she now hobnobbed with nobility.

But, as she said, "You can't wear the social register for water wings." Her $60,000 chinchilla cloak covered three children; her other outer garments she had given to elderly women. She swore, threatened, sang grand opera, joked—and she kept her boatload of wretched survivors going till rescue came.

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Cumulative Index to Volume 97

Pages 1 to 56 inclusive, October 1, 1955
Pages 57 to 112 inclusive, October 15
Pages 113 to 168 inclusive, October 29
Pages 169 to 228 inclusive, November 12
Pages 229 to 288 inclusive, November 26
Pages 289 to 348 inclusive, December 10
Pages 349 to 404 inclusive, December 24
Pages 405 to 476 inclusive, January 7, 1956
Pages 477 to 548 inclusive, January 21
Pages 549 to 604 inclusive, February 4
Pages 605 to 660 inclusive, February 18
Pages 661 to 724 inclusive, March 3
Pages 725 to 792 inclusive, March 17

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